



STATE OF ILLINOIS  
**OFFICE OF THE  
AUDITOR GENERAL**

William G. Holland, Auditor General

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**SUMMARY REPORT DIGEST**

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**OFFICE OF THE SECRETARY OF STATE**

**FINANCIAL AUDIT**

**For the Year Ended: June 30, 2013**

**COMPLIANCE EXAMINATION**

**For the Two Years Ended: June 30, 2013**

**Release Date: March 20, 2014**

**Summary of Findings:**

**Total this audit: 8**

**Total last audit: 10**

**Repeated from last audit: 3**

**SYNOPSIS**

- The Secretary of State failed to submit quarterly business reports to the General Assembly.
- Multiple employees had access to the same cash drawers at Drivers License Facilities.
- The Secretary of State did not maintain adequate controls over its change funds.

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

**SECRETARY OF STATE  
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2013**

<b>EXPENDITURE STATISTICS</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
<b>Total Expenditures (All Funds).....</b>	<b>\$ 448,464,448</b>	<b>\$ 453,810,202</b>	<b>\$ 447,687,303</b>
OPERATIONS TOTAL.....	\$ 297,169,485	\$ 301,300,243	\$ 303,665,975
% of Total Expenditures.....	66.3%	66.4%	67.8%
Personal Services.....	189,703,119	197,581,065	7,217,366
Other Payroll Costs (FICA, Retirement).....	21,319,936	20,114,882	4,290,335
All Other Operating Expenditures.....	86,146,430	83,604,296	292,158,274
AWARDS AND GRANTS.....	\$ 146,798,044	\$ 143,756,260	\$ 139,573,359
% of Total Expenditures.....	32.7%	31.7%	31.2%
REFUNDS & PERMANENT IMPROVEMENTS TOTAL.....	\$ 4,496,919	\$ 8,753,699	\$ 4,447,969
% of Total Expenditures.....	1.0%	1.9%	1.0%
<b>Total Receipts.....</b>	<b>\$ 2,288,194,200</b>	<b>\$ 2,267,675,975</b>	<b>\$ 2,254,376,453</b>
<b>Cost of Property and Equipment (Cash Basis)...</b>	<b>523,396,788</b>	<b>517,831,584</b>	<b>510,261,545</b>

<b>SELECTED ACTIVITY MEASURES (unaudited)</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Passenger Car Licenses.....	11,198,725	11,215,073	11,038,470
Truck and Bus Licenses.....	1,490,748	1,536,134	1,511,881
Titles.....	3,075,778	3,075,544	2,879,605
Registered Corporations.....	374,335	373,882	375,344
Equity Securities Registered (billions)	\$ 8,135	\$ 2,167	\$ 2,095

<b>AGENCY HEAD</b>
During Examination Period: Honorable Jesse White
Currently: Honorable Jesse White

## **FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS**

### **QUARTERLY REPORTS NOT SUBMITTED**

The Office of the Secretary of State (Office) did not submit quarterly business reports to the General Assembly.

#### **Quarterly business reports not submitted or published**

During our testing, we noted the Office did not submit quarterly business reports to the General Assembly during fiscal years 2012 and 2013. Additionally, we noted the Office did not publish on their website these required reports. (Finding 1, page 12)

We recommended the Office timely file the required quarterly business reports with the Illinois General Assembly. Additionally, we recommended the responsible personnel ensure these reports are properly published on the Office website.

#### **Office agrees with auditors**

Office officials accepted our recommendation and stated it has been partially implemented. The Office further stated it has submitted the 1st quarter 2014 reports with the General Assembly which included the fiscal year 2012 and 2013 information and has implemented procedures to ensure timely submission of these reports going forward. The Office stated it is in the process of implementing procedures to ensure the information is published on the Office website as required.

### **INADEQUATE CONTROL OF CASH AT DRIVERS LICENSE FACILITIES**

The Office permitted multiple employees to have access to the same cash drawers at the Drivers License Facilities (facilities).

#### **Multiple employees could access the same cash drawer all 6 facilities visited**

During testing, we visited 6 of the Office's 138 facilities. At all 6 of the facilities visited, we noted that multiple employees could access the same cash drawer. (Finding 2, pages 13-14) **This finding was first reported in 2005.**

We recommended the Office continue to develop procedures to ensure that each employee utilizes an individual cash drawer and not be permitted to access the drawer of other employees at the Drivers License Facilities.

#### **Office agrees with auditors**

Office officials accepted our recommendation and stated the Office is in the process of centralizing the issuance of individual drivers' licenses. The Office further stated it will be redesigning the physical layout of all facilities to accommodate this change. The Office will address the above recommendation where multiple employees have access to an individual cash drawer as the facilities are updated. (For the previous Office response, see Digest Footnote #1)

## **NEED TO IMPROVE CONTROLS OVER CHANGE FUNDS**

The Office did not maintain adequate records of the custodians of change funds and did not keep safes containing change funds locked at all times.

During testing, we noted the following:

- The Office did not maintain adequate records of the custodians of change funds. For 3 of 25 (12%) change funds tested, the Office did not obtain the proper signatures from the former custodian on the Change of Custodian form or Location Petty Cash or Change Fund (C-85 form) filed with the Office of the Comptroller. Additionally, for 6 of 25 (24%) change funds tested, the C-85 form was not filed in a timely manner. On average, it took 120 days to file the C-85 form.
- We visited 6 of the Office's 138 Drivers License Facilities (facilities). At three of the six (50%) facilities tested, we noted the safes used to store the change funds and daily work were left unlocked during business hours. Additionally, at one of the six (17%) facilities tested, we noted the change funds and daily work were kept in a filing cabinet that did not have a locking mechanism. (Finding 3, pages 15-16)

**Custodian records not adequately maintained**

**Safes and change funds not locked**

We recommended the Office implement procedures to ensure timely and accurate reporting of information concerning the custodians of change funds and that change funds be maintained in a locked safe at all times.

**Office agrees with auditors**

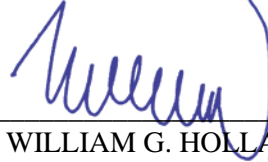
Office officials accepted our recommendation stated it has been partially implemented. They further stated procedures have been implemented to ensure the timely and accurate reporting of changes in the custodians of change funds. In addition, procedures exist that require safes to be locked at all times. The Office also stated they will retrain employees in its facilities to ensure that safes should be locked when not in use.

## **OTHER FINDINGS**

The remaining findings pertain to 1) Inaccurate Agency Fee Imposition Report, 2) Excess Balances in Division of Corporations Limited Liability Partnership Fund, 3) Lack of Executed Agreements and Independent Review of Internal Control of Outsourced Information Systems, 4) PCI compliance weakness, 5) Inadequate Procedures for Disposal of Confidential Information, and are reportedly being given attention by the Office of the Secretary of State. We will review progress toward implementing all recommendations in our next compliance examination.

## **AUDITORS' OPINION**

Our auditors stated the financial statements of the Office of the Secretary of State as of June 30, 2013, and for the year then ended are fairly presented in all material respects.



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WILLIAM G. HOLLAND  
Auditor General

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## **SPECIAL ASSISTANT AUDITORS**

Our special assistant auditors for this audit were Kerber, Eck, and Braeckel LLP.

## **DIGEST FOOTNOTE**

### **#1 INADEQUATE CONTROL OF CASH AT DRIVERS LICENSE FACILITIES – Previous Office Response**

2011: The Office accepts this finding. The Office has three categories of facilities; Large (Level III), Medium (Level II with 10 or more employees) and Small (Level I with less than 10 employees). It is this third category where the issues described above exist due to the fact there are not enough employees available at these facilities to be able to achieve appropriate segregation of duties.

As noted in the finding, the Office is in the process of using available technology to gain appropriate control over our receipts processing at these facilities. Currently the Office is installing security cameras isolated on the receipts drawers of all our facilities. This will allow for more accountability and transparency with the receipts process. The Office will continue to review our processes and make improvements whenever fiscally and physically possible.