



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION

Compliance Examination
 For the Two Years Ended June 30, 2016

Release Date: February 28, 2017

FINDINGS THIS AUDIT: 9	AGING SCHEDULE OF REPEATED FINDINGS						
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	0	0	0	2014		5, 8	
Category 2:	4	5	9	2006		2	
Category 3:	0	0	0	2004		1, 3	
TOTAL	4	5	9				
FINDINGS LAST AUDIT: 13							

SYNOPSIS

- (16-001) Department Boards and Committees were not fully staffed.
- (16-002) The Department's controls over interagency agreements were deficient.
- (16-007) The Department was not in compliance with provisions of the State Records Act.

Category 1: Findings that are **material weaknesses** in internal control and/or a **qualification** on compliance with State laws and regulations (material noncompliance).

Category 2: Findings that are **significant deficiencies** in internal control and **noncompliance** with State laws and regulations.

Category 3: Findings that have **no internal control issues but are in noncompliance** with State laws and regulations.

{Expenditures and Activity Measures are summarized on next page.}

**DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2016**

EXPENDITURE STATISTICS	2016	2015	2014
Total Expenditures.....	\$ 77,081,694	\$ 79,564,871	\$ 78,407,538
OPERATIONS TOTAL.....	\$ 76,776,281	\$ 79,438,958	\$ 78,127,569
% of Total Expenditures.....	99.6%	99.8%	99.6%
Personal Services.....	33,657,443	35,923,931	35,369,071
Other Payroll Costs (FICA, Retirement).....	26,699,923	26,272,908	25,741,958
All Other Operating Expenditures.....	16,418,915	17,242,119	17,016,540
AWARDS AND GRANTS.....	\$ 282,999	\$ 54,318	\$ 239,786
% of Total Expenditures.....	0.4%	0.1%	0.3%
REFUNDS.....	\$ 22,414	\$ 71,595	\$ 40,183
% of Total Expenditures.....	0.0%	0.1%	0.1%
Total Receipts.....	\$ 99,615,849	\$ 94,523,781	\$ 119,138,116
Average Number of Employees.....	448	465	462

SELECTED ACTIVITY MEASURES (Not Examined)	2016	2015	2014
Examinations Completed:			
Financial Institutions.....	2,679	2,845	2,856
Banks and Trust Companies.....	432	485	614
Thrift and Mortgage.....	307	298	262
Number of Licensees:			
Financial Institutions.....	2,927	2,929	2,795
Bank and Trust Companies.....	1,147	1,171	1,372
Residential Mortgage.....	822	771	744
Profession (New/Renewals Received).....	524,180	317,293	295,469
Enforcement:			
Complaints Received.....	9,095	8,881	10,867
Complaints Closed.....	3,019	3,284	10,335
Cases Closed at Investigations.....	119	136	2,900
Cases Referred to Prosecutions.....	2,198	2,701	4,656
Cases Closed at Prosecutions.....	1,027	1,738	1,818

SECRETARY	
During Examination Period:	Bryan A. Schneider
Currently:	Bryan A. Schneider

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

DEPARTMENT BOARDS AND COMMITTEES NOT FULLY STAFFED

The Department did not ensure the appointment of the required number of members to various boards and committees. We noted the following:

- 2 of 9 positions were vacant in the Real Estate Administration and Disciplinary Board.
- 3 of 9 positions were held by individuals whose service terms had expired for the State Board of Pharmacy. Additionally, 2 of the 3 members served beyond their term limits.
- 5 of 7 positions have been vacant and 2 positions were held by individuals whose terms have expired for the Physician Assistant Advisory Committee. Additionally, 1 member served beyond their term limits.
- 1 of 5 positions was vacant for the Board of Licensing for Perfusionists. Also, the Board did not elect a vice-chairperson upon the expiration of the former vice-chairperson's term.
- 2 of 7 positions were vacant for the Illinois Occupational Therapy Licensure Board. (Finding 1, pages 11-14). **This finding has been repeated since 2004.**

Boards and Committees had vacancies and persons serving with expired terms

We recommended the Department continuously appoint qualified members to these boards and committees as required by their respective Acts. We also recommended the Department continue to work with the Governor's Office to ensure the board and committee vacancies are filled in a timely manner for those cases where the Governor's Office is required to appoint the board and committee members.

Department agreed with auditors

Department management agreed with the audit finding and recommendations (*For the previous Department response, see Digest Footnote #1.*)

DEFICIENCIES IDENTIFIED IN CONTROLS OVER INTERAGENCY AGREEMENTS

The Department's controls over interagency agreements were deficient. During testing of eight interagency agreements we noted one agreement was signed 45 days after the effective date of the agreement. In addition, five interagency agreements were entered into among the Department, the Governor's Office of Management and Budget (GOMB), and the Office of the Governor wherein the employees' full

Employees' full salary paid by one agency but employee performed duties at two different agencies

salaries, including benefits, were paid by the Department. In another instance, one employee's full salary and benefits was paid by GOMB. Additionally, another interagency agreement was between the Department and the Office of the Governor wherein the employee's full salary, including benefits, was paid by the Department. (Finding 2, pages 15-16) **This finding was first reported in 2006.**

We recommended the Department ensure all interagency agreements are signed by all parties prior to the effective date of the agreement. We also recommended the Department revisit its existing interagency agreements to ensure that salaries and benefit costs are appropriately allocated to agencies sharing the services of the employee.

Department agreed with auditors

Department management agreed with the audit finding and recommendation. (*For the previous Department response, see Digest Footnote #2.*)

NONCOMPLIANCE WITH THE STATE RECORDS ACT

The Department did not ensure compliance with the State Records Act. During testing, we noted the following:

Department did not maintain documentation of licensee accreditations or proof of inspections

- The Department did not ensure financial interest statements were on file.
- The Department did not maintain documentation of licensee accreditations or proof of inspections under the Home Medical Equipment and Services Provider License Act.
- The Department could not locate the application file and other records for 1 of 25 title insurance agents tested.
- For 1 of 25 certified pharmacy technicians tested, the Department could not provide documentation to show the certified pharmacy technician (applicant) had graduated from a pharmacy technician training program or verification from the pharmacist-in-charge of the pharmacy where the applicant was employed that the applicant completed the required training program. (Finding 7, pages 25-27).

We recommended the Department obtain and maintain adequate documentation to ensure compliance with all applicable statutes. Also, we recommended the Department ensure adequate record keeping processes are followed to prevent files being misplaced or lost.

Department agreed with auditors

Department management agreed with the audit finding and recommendation.

ACCOUNTANT'S OPINION

We conducted a compliance examination of the Department for the two years ended June 30, 2016, as required by the Illinois State Auditing Act. The accountants stated the Department complied, in all material respects, with the requirements described in the report.

SIGNED ORIGINAL ON FILE

FRANK J. MAUTINO
Auditor General

FJM:JMR

SPECIAL ASSISTANT AUDITORS

Our Special Assistant Auditors for this examination were E.C. Ortiz & Co., LLP.

DIGEST FOOTNOTES

#1 - DEPARTMENT BOARDS AND COMMITTEES NOT FULLY STAFFED – Previous Department Response

2014: Concur. The Department continues to make substantial progress in filling board vacancies and reappointing statutorily eligible board members as terms expire.

#2 – DEFICIENCIES IDENTIFIED IN CONTROLS OVER INTERAGENCY AGREEMENTS – Previous Department Response

2014: Concur. The Department agrees with the audit findings and recommendations.