



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

OFFICE OF THE SECRETARY OF STATE

Financial Audit for the Year Ended June 30, 2015 and
 Compliance Examination for the Two Years Ended June 30, 2015

Release Date: March 24, 2016

FINDINGS THIS AUDIT: 6				AGING SCHEDULE OF REPEATED FINDINGS			
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	0	0	0	2013		15-3, 15-4, 15-5	
Category 2:	0	6	6	2011		15-2	
Category 3:	0	0	0	2009		15-6	
TOTAL	0	6	6	2005		15-1	
FINDINGS LAST AUDIT: 8							

SYNOPSIS

- (15-1) Multiple employees were permitted to have access to the same cash drawers at the Drivers License Facilities.
- (15-2) The Office maintained inadequate records of the custodians of change funds and did not keep change fund information in a compartment that was locked at all times.

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.}

**SECRETARY OF STATE
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2015**

EXPENDITURE STATISTICS	2015	2014	2013
Total Expenditures (All Funds).....	\$ 529,846,659	\$ 480,733,259	\$ 448,464,448
OPERATIONS TOTAL.....	\$ 308,505,999	\$ 303,553,654	\$ 297,169,485
% of Total Expenditures.....	58.2%	63.1%	66.3%
Personal Services.....	192,615,558	192,022,737	189,703,119
Other Payroll Costs (FICA, Retirement).....	22,312,632	20,946,438	21,319,936
All Other Operating Expenditures.....	93,577,809	90,584,479	86,146,430
AWARDS AND GRANTS.....	\$ 213,443,088	\$ 169,518,850	\$ 144,179,879
% of Total Expenditures.....	40.3%	35.3%	32.1%
PERMANENT IMPROVEMENTS.....	\$ 4,668,937	\$ 4,307,780	\$ 3,868,446
% of Total Expenditures.....	0.9%	0.9%	0.9%
REFUNDS.....	\$ 3,228,635	\$ 3,352,975	\$ 3,246,638
% of Total Expenditures.....	0.6%	0.7%	0.7%
Total Receipts.....	\$ 2,438,551,131	\$ 2,360,870,487	\$ 2,288,194,200
Cost of Property and Equipment (Cash Basis)...	588,251,776	527,851,642	523,396,788

SELECTED ACTIVITY MEASURES (unaudited)	2015	2014	2013
Passenger Car Licenses.....	11,776,386	11,466,244	11,198,725
Truck and Bus Licenses.....	1,538,958	1,524,159	1,490,748
Titles.....	3,326,418	3,164,188	3,075,778
Registered Corporations.....	376,815	373,685	374,335
Equity Securities Registered (billions)	\$ 181	\$ 150	\$ 8,135

AGENCY HEAD
During Examination Period: Honorable Jesse White
Currently: Honorable Jesse White

FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS

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

Multiple employees could access the same cash drawer at 3 facilities visited

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

During testing, we visited 6 of the Office's 137 facilities. At 3 of the facilities visited, we noted that multiple employees could access the same cash drawer. (Finding 1, pages 13-14) **This finding has been repeated since 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 continues to assess its facility operations to ensure funds are safeguarded against loss, unauthorized use, and misappropriation and improvements are made whenever fiscally and operationally feasible. *(For the previous Office response, see Digest Footnote #1.)*

**NEED TO IMPROVE CONTROLS OVER CHANGE
FUNDS**

Custodian records not adequately maintained

The Office did not maintain adequate records of the custodians of change funds and did not keep change fund information in a compartment that was locked at all times. During testing we noted the following:

- The Office did not maintain adequate records of the custodians of change funds. For 1 of 18 (6%) change funds tested, the Office did not obtain the proper signatures from the former custodian on the Change of Custodian or Location Petty Cash or Change Fund form (C-85) filed with the Office of the Comptroller.
- We visited 6 of the Offices 137 Drivers License Facilities (facilities). At 1 of the 6 (17%) facilities tested, we noted the daily work and important records were kept in a filing cabinet that did not have a locking mechanism. (Finding 2, pages 15-16) **This finding has been repeated since 2011.**

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 all important change fund records be maintained in a locked compartment at all times.

Office agrees with auditors

Office officials accepted our recommendation and stated the Office has developed procedures for earlier identification of changes to change fund custodians in order to ensure proper signatures are obtained for documentation sent to the Office of the Comptroller. The Office also stated they will continue to train appropriate personnel regarding the security of important records related to change funds. *(For the previous Office response, see Digest Footnote #2.)*

OTHER FINDINGS

The remaining findings pertain to 1) Excess Balances in Division of Corporations Limited Liability Partnership Fund, 2) PCI Compliance Weaknesses 3) Lack of Independent Review of Internal Control of Outsourced Information Systems or Operations, 4) 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.

AUDITOR'S OPINION

Our auditors stated the financial statement of the Office of the Secretary of State as of June 30, 2015, and for the year then ended are fairly presented in all material respects.

ACCOUNTANT'S OPINION

The accountants conducted a compliance examination of the Office of the Secretary of State for the two years ended June 30, 2015, as required by the Illinois State Auditing Act. The auditors stated the Office of the Secretary of State complied, in all material respects, with the requirements described in the report.

SIGNED ORIGINAL ON FILE

FRANK J. MAUTINO
Auditor General

FJM:SW

SPECIAL ASSISTANT AUDITORS

Our Special Assistant Auditors for this audit were Kerber, Eck, and Braeckel, LLP.

DIGEST FOOTNOTES

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

2013: The Office accepts this finding. The Office is in the process of centralizing the issuance of individual drivers' licenses. The Office 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.

#2 NEED TO IMPROVE CONTROLS OVER CHANGE FUNDS – Previous Office Response

2013: The Office accepts this finding and the recommendation has been partially implemented. Procedures have been implemented to ensure the timely and accurate reporting of changes in the custodians of change funds. Procedures exist that require safes to be locked at all times. The Office will retrain employees in our facilities to ensure that safes should be locked when not in use.