

REPORT DIGEST

**OFFICE OF THE SECRETARY OF STATE
FINANCIAL AUDIT
FOR THE YEAR ENDED JUNE 30, 1993
COMPLIANCE AUDIT
(In accordance with the Single Audit Act of 1984
and OMB Circular A-128)
FOR THE TWO YEARS ENDED JUNE 30, 1993**

{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, 1993. The compliance report contains supplementary information, findings, conclusions, and recommendations for the two years ended June 30, 1993.

FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

NEED TO EXPAND THE USE OF STICKERS FOR RENEWALS OF VEHICLE PLATES

The Office of the Secretary of State issues license plates for several vehicle types instead of renewal plate stickers. Such vehicle types include electric vehicle plates, medical carrier plates, dealer plates, and reposessor plates.

For fiscal years 1993 and 1992, approximately 366,787 and 427,136, respectively, of such plates were issued. Based upon average plate and sticker costs, Secretary of State officials estimate a savings of approximately \$1.65 per plate could be realized by issuing renewal stickers instead of license plates for these vehicles. In FY 93 and FY 92 this would have represented total savings of approximately \$605,198 and \$704,774, respectively.

We recommended the Office of the Secretary of State continue to expand the use of stickers for renewals of vehicle plates instead of issuing new plates. (Finding 4, page 12)

Secretary of State officials accepted our recommendation and stated that their License Plates Task Force is reviewing a number of plate related issues, including replating schedules and the expanded utilization of license plate renewal stickers. The Task Force is also examining the factors leading to potential revenue loss from nonpayment of renewal fees as may be found in other states with similar demographics. Further, the office will aggressively move to implement the utilization of renewal stickers where proven to be cost effective by the Task Force. However, it is appropriate to note that for public safety and law enforcement purposes, certain plate types such as medical carrier, and reposessor plates may be excluded from the sticker renewal expansion process.

NEED TO STANDARDIZE REPORTING FORMATS

The Office of the Secretary of State works with nonstandard reporting formats which hinder the efficient and accurate processing of information associated with the mandatory insurance law.

Court forms and reporting procedures have traditionally reflected actions taken against vehicle operators only. The mandatory insurance law (625 ILCS 5/7-605) requires that the registration be suspended for an uninsured vehicle being operated by the convicted violator. Therefore, vehicle description and registration data are critical on mandatory insurance court dispositions.

In discussing this condition with Secretary of State officials, they indicate a lack of

standardization in the design of court forms emanates from the judiciary's inherent authority to utilize reports of their own selection. Secretary of State officials also state that nonstandard reporting formats hinder efficient and accurate processing and the variations in documents submitted by the courts result in processing delays and mistakes.

We recommended the Secretary of State continue to seek standardization of the forms with the Administrative Office of the Illinois Courts. Further, the Secretary of State may also wish to explore the appropriateness of legislation which would provide uniformity in reporting requirements. (Finding 6, page 15)

Secretary of State officials accepted our recommendation and stated that standard reporting forms that specify the data needed to process mandatory insurance transactions have been sent to courts, circuit clerks and local law enforcement on a regular basis since the Mandatory Insurance program was enacted in 1990. Despite the availability of the forms and numerous contacts made by office staff, the required information has not been forthcoming on a consistent basis from all jurisdictions. While some improvement has occurred, the office is seeking to further enhance the use of the standardized form by joint efforts with the Administrative Office of the Illinois Courts and select circuit clerks to implement an automated reporting process for higher volume counties. The office expects the first phase of the automated process to be completed by July 1994 for Cook and DuPage counties which represent 65% of the volume statewide. At present, the office is not statutorily empowered with the necessary authority to require the judiciary to utilize standardized forms.

NEED TO IMPROVE PROCEDURES RELATED TO VEHICLE EMISSIONS

The Office of the Secretary of State receives several telephone calls per day regarding vehicle emissions testing which requires office personnel to telephone the Illinois Environmental Protection Agency (IEPA) and then requires a return call to the vehicle owner because the Secretary of State database does not include certain emission violations data.

Every two years, vehicle owners in the counties of Cook, DuPage, the majority of Lake and a portion of Kane, Will, Madison and St. Clair must have vehicles tested for emissions control. Failure to pass emission tests given by the IEPA requires retesting. Failure to retest results in two follow-up letters from the IEPA. After five months, the Office of the Secretary of State sends a letter indicating that the vehicle's license plates will be suspended. In calendar year 1992, a total of 97,907 such letters were sent. These letters generate approximately forty phone calls per day to the Office of the Secretary of State.

Approximately fifty percent of all calls received are from citizens inquiring about suspended license plates resulting from emission testing for which the Secretary of State database does not reflect specific timing and underlying IEPA notices other than IEPA certification of the owner's noncompliance. The present database is very limited, which requires the office representatives to call the IEPA to gather additional information and then call the citizen back.

Improved efficiencies could be obtained in personnel time and unnecessary long-distance telephone calls to citizens could be avoided if IEPA would grant limited inquiry access to its database for certain Secretary of State employees.

We recommended the Secretary of State work with the IEPA to: 1) establish a joint database, or 2) allow the Secretary of State access to the IEPA database for information pertaining to vehicle emission testing only. (Finding 7, page 16)

Secretary of State officials accepted our recommendation and stated that they are designing an improved system to coordinate constituent response by securing access to the IEPA database. Access to IEPA's database should begin in April, 1994.

OTHER FINDINGS

The remaining findings are less significant and are being given attention by Secretary of State officials. We will review progress towards the implementation of our recommendations in our next compliance audit.

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

AUDITORS' OPINION

Our auditors state that the June 30, 1993 financial statements of the Office of the Secretary of State are fairly presented.

WILLIAM G. HOLLAND, Auditor General

WGH:BLB:jr

SUMMARY OF AUDIT FINDINGS

Number of This Audit Prior Audit

Findings99
Repeated Findings02
Prior Recommendations Implemented
or Not Repeated96

SPECIAL ASSISTANT AUDITORS

Deloitte & Touche were our special assistant auditors on this audit.

SECRETARY OF STATE
FINANCIAL AND COMPLIANCE AUDIT
For The Two Years Ended June 30, 1993

	FY 1993	FY 1992
RECEIPTS STATISTICS		
● Total Cash Receipts (All Funds)	\$909,097,769	\$855,171,583
EXPENDITURE STATISTICS		
● Total Expenditures (All Funds)	\$357,423,175	\$334,119,592
<u>OPERATIONS TOTAL</u> % of Total Expenditures	\$313,023,627 88%	\$285,213,075 85%
Personal Services % of Operations Expenditures Average No. of Employees - Regular Positions - Extra Help	\$106,802,079 34% 3,778 350	\$106,580,800 37% 3,856 353
Other Payroll Costs (FICA, Retirement, Group Insurance) % of Operations Expenditures	\$16,217,710 5%	\$13,271,382 5%
Contractual Services % of Operations Expenditures	\$28,094,246 9%	\$28,997,894 10%
Lump Sums and Other Purposes % of Operations Expenditures	\$138,386,201 44%	\$112,597,883 40%
All Other Operations Items % of Operations Expenditures	\$23,523,391 8%	\$23,765,116 8%
<u>OTHER EXPENDITURES TOTAL</u> (Awards & Grants, Literacy Program, Permanent Improvements, etc.) % of Total Expenditures	\$44,399,548 12%	\$48,906,517 15%
● Cost of Property and Equipment	\$307,570,408	\$236,365,867

SELECTED ACTIVITY MEASURES	1992	1991
●Passenger Car Plates	6,765,836	6,913,237
●Truck and Bus Plates	1,300,226	1,275,714
●Driver's Licenses	1,875,985	1,948,385
●Driver's Histories	4,660,519	4,651,529
●Registered Corporations	254,819	247,352
●Amount of Debt Equity Securities Registered	\$42,329,277,654	\$23,056,196,396

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