

# A Profile of the Secretary of State Special Audit Teams

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*Prepared for*

**the Illinois Motor Vehicle Theft Prevention Council**

**Rod R. Blagojevich, Governor  
Larry G. Trent, Chairman**

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**ILLINOIS MOTOR VEHICLE  
THEFT PREVENTION COUNCIL**

## Introduction

The Secretary of State (SOS) Special Audit Teams Program works to stem the flow of stolen vehicles and essential parts, to reduce the number of retagging operations, and to reduce the number of Illinois title documents issued based on falsified or improper documentation.

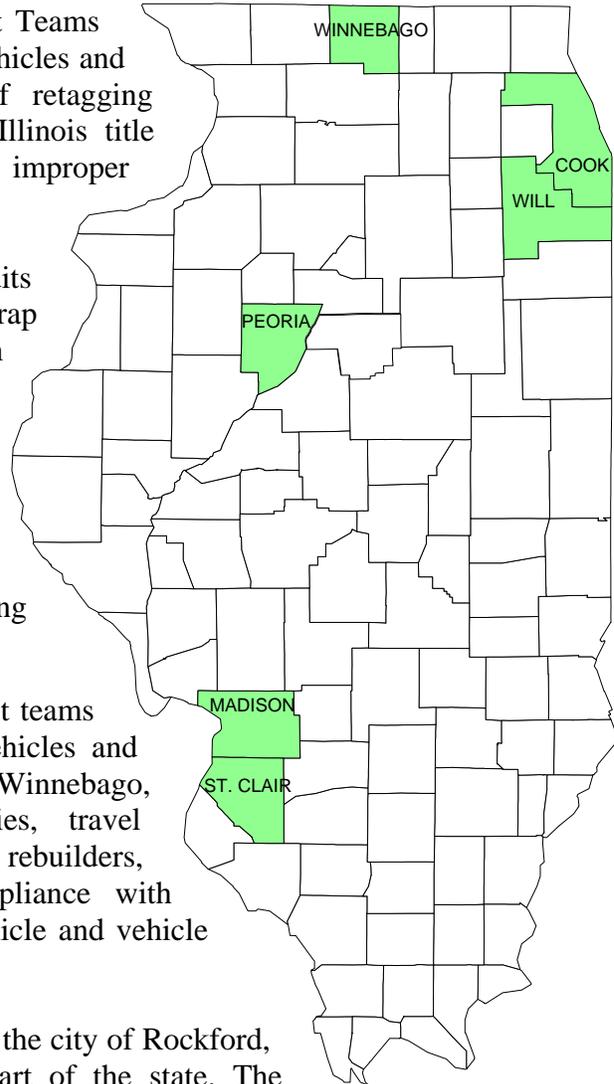
The SOS Special Audit Teams conduct audits of salvage yards, repairers, rebuilders, and scrap processors. The audit is a full verification procedure requiring the accounting for all vehicles and documents covering the dealers' past three years of operation. The goal of these unannounced audits is to create a climate in which licensees are reluctant to buy, sell, or possess stolen vehicles or parts due to the probability of being detected and apprehended.

In Illinois, the program consists of four audit teams that police the "marketplace" for stolen vehicles and parts. The four teams, based in Cook, Will, Winnebago, Peoria, Madison, and St. Clair counties, travel throughout Illinois monitoring salvage yards, rebuilders, repairers, and scrap processors for compliance with regulations governing record-keeping of vehicle and vehicle part transactions.

**Winnebago.** Winnebago County, containing the city of Rockford, is an urban county in the northernmost part of the state. The county's population has remained fairly stable in recent years. According to U.S. Census Bureau estimates, Winnebago County had a 2002 population of 282,627.

**Cook/Will.** Cook County, which includes the city of Chicago, is the state's most populous county. The U.S. Census Bureau estimates that Cook County had a population of 5.4 million in 2002. Will County, adjacent to Cook, is the fourth largest Illinois county in terms of population. Will County had a 2002 population of 559,861, according to estimates by the U.S. Census Bureau. A Northeastern Illinois Planning Commission study indicates that Will County is the fastest-growing county in the state.

**Peoria.** Peoria County, which includes the city of Peoria, is an urban county located in central Illinois. The county's population has changed little over the past several years. The U.S. Census Bureau estimates that Peoria County had a 2002 population of 182,362.



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**Madison/St. Clair.** Madison and St. Clair counties are urban counties located in the southwestern corner of the state, adjacent to St. Louis, Missouri. The populations of both counties have remained stable over the past several years. According to U.S. Census Bureau estimates, Madison County had a 2002 population of 261,409, while St. Clair County had a 2002 population of 257,904.

Though the audit teams serve the entire state of Illinois, they target their operations to the above areas of greatest need, as identified in the Council's *2004-2007 Statewide Motor Vehicle Theft Prevention Strategy*. In this report, data from the four audit teams are analyzed together, and statistics are reported for the program as a whole.

## **The market for stolen vehicles and parts**

Some dealers of vehicles, parts, and scrap are involved in the motor vehicle theft problem. Even some reputable dealers may sometimes unwittingly purchase and use essential parts removed from stolen vehicles. There are several modes of vehicle theft:

<b>Imports/exports</b>	The movement of stolen cars across U.S. borders, primarily by organized theft rings.
<b>Chop shops</b>	The theft and dismantling of vehicles for parts and accessories that are sold for profit. Sometimes parts are purchased by body shops or repair garages for repairs to damaged vehicles.
<b>Insurance frauds</b>	The false reporting of vehicle theft to collect insurance claims.
<b>Counterfeit titles</b>	The selling of stolen vehicles by means of counterfeit vehicle titles. The thieves move quickly, sell cheaply, and often use out-of-state vehicle titles.
<b>Counterfeit MCOs</b>	Often referred to as a vehicle's 'birth certificate,' in many states the Manufacturer's Certificate of Origin (MCO) is the basis for all subsequent registration and title documents. Counterfeit MCOs are used to represent stolen vehicles as new.
<b>Title washing</b>	Stolen cars are registered in states with loose vehicle title laws, often through a mailed-in application. The thief uses the resulting documentation of ownership – registration certificate and license plates – to sell the vehicle.
<b>VIN switches</b>	The intentional alteration of the vehicle identification number (VIN) and the use of the fictitious VIN on counterfeit ownership or registration documents. The vehicle is then sold to an unsuspecting buyer.

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**Salvage switches**      The identity of a salvage vehicle (VIN plate, license plates, and title or bill-of-sale) is transferred to a stolen vehicle of similar make and model. The stolen vehicle is then sold under this identity.

**Retagging operations**      The selling of vehicles with altered or falsified identities.

While the overall number of vehicle thefts in Illinois has declined since the Council began in 1991, the problem of vehicles stolen for the sale of their parts or for retagging persists.

### **Program summary**

For the most part, the SOS Special Audit Teams randomly select dealers to be audited. In some cases, the teams re-audit dealers whose previous audits uncovered a large number of violations. In addition, the teams inspect and audit out-of-state buyers who hold licenses to purchase vehicles and parts from Illinois salvage pools.

The program also regulates 14 insurance salvage pools, checking vehicles that have been deemed beyond economical repair. The titles of the pool vehicles and their serial numbers can be used to disguise stolen vehicles as legitimate ones. All vehicles in the insurance pools are documented, and sales information is used to track them both in state and out-of-state. Tracking salvage vehicles and essential parts provides another set of checks and balances to the vehicle resale system.

Operating since 1992, the SOS Special Audit Teams Program links the efforts of the Secretary of State Department of Police, Council-funded task forces, and other Illinois law enforcement agencies. The audit teams pass on cases to SOS Department of Police districts throughout the state for investigative follow-up and disposition, either by criminal or administrative action. Audit cases are also given to other law enforcement agencies, including Council-funded task forces, for investigation and follow-up.

Implemented by the Secretary of State Department of Police, the program covers the entire state of Illinois, but targets its operations to the areas of greatest need identified in the Council's *2004-2007 Statewide Motor Vehicle Theft Prevention Strategy*: the counties of Cook, Will, Winnebago, Peoria, Madison, and St. Clair.

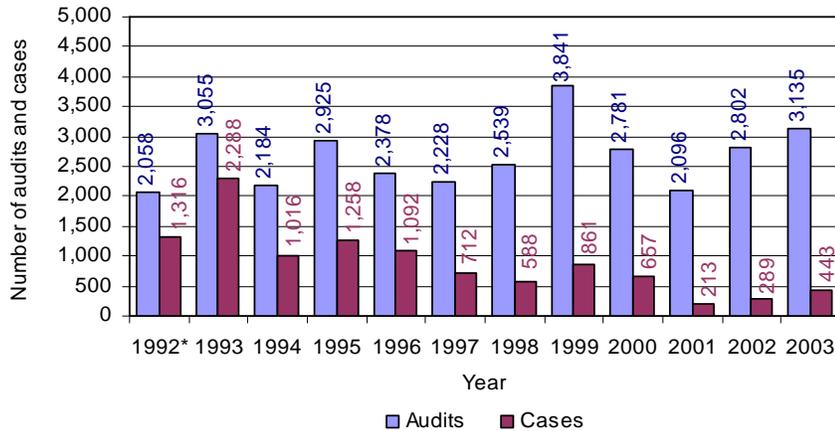
The SOS Special Audit Teams Program consists of 18 Secretary of State Department of Police personnel. The audit teams conduct their activities from four offices, located in each of the target areas.

The SOS Special Audit Teams Program is the only unit of its kind in Illinois.

## Program activity

Since the program began in June 1992, through December 2003, the SOS Special Audit Teams have conducted over 32,000 audits of businesses and inspected more than 670,000 vehicles and 185,000 essential parts. The program has generated nearly 11,000 cases that have been referred to police departments for action. Figure 1 shows the number of audits conducted and cases generated for each completed program year.

**Figure 1**  
Audits conducted and cases generated  
1992-2003

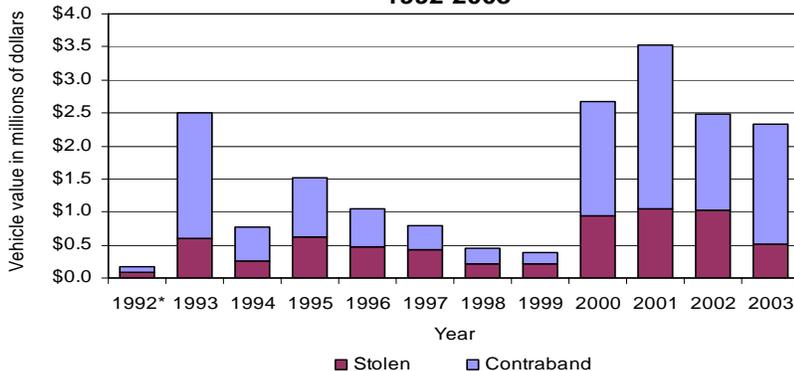


\*July 1992 to December 1992.

Source: Performance Reports, SOS Special Audit Teams

Since 1992, the audit teams have recovered an estimated \$19 million worth of stolen or contraband (no identifiable VIN number) vehicles and parts. The teams recovered 1,121 stolen vehicles worth an estimated \$6.4 million. In addition, the program has recovered 4,403 contraband vehicles with a total estimated value of \$12.2 million. Figure 2 shows the value of stolen and contraband vehicles recovered for each completed program year. The significant increase in the value of vehicle recoveries since 1999 is attributed to the fact that vehicles recovered now are worth a greater value.

**Figure 2**  
Value of vehicles recovered  
1992-2003



\* July 1992 to December 1992.

Source: Performance Reports, SOS Special Audit Teams

The number of dealers audited each year is affected by factors such as variations in annual funding, program staff turnover, and variations in the number of dealers operating in the state. From 1992 through 1998, the audit teams audited an average of 38 percent of the dealers operating in Illinois each year. In 1999, the program made a procedural change that increased its audit activity. From the program's inception through 1998, two auditors conducted each audit. Beginning in 1999, audits of smaller dealers were conducted by a single auditor. This policy resulted in a 50 percent increase in the number of audits conducted in 1999 as compared to 1998 (see Table 1). Since then, the program has continued this policy of sending one auditor to the smaller dealers.

**Table 1**

**SOS Special Audit Teams Program Activity**

	<b>1992*</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>
<b>Dealers in Illinois**</b>	6,086	6,569	6,958	6,784	6,162	6,091
<b>Audits conducted</b>	2,058	3,055	2,184	2,925	2,378	2,228
<b>Percent of Dealers audited</b>	35%	46%	31%	43%	39%	37%
	<b>1992*</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>
<b>Violation letters</b>	1,069	2,173	943	1,183	981	631
<b>Percent in violation</b>	50%	72%	43%	40%	41%	28%
	<b>1992*</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>
<b>Cases generated</b>	1,316	2,288	1,016	1,258	1,092	712
<b>Percent generating cases</b>	64%	75%	47%	43%	46%	32%

	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>
<b>Dealers in Illinois</b>	6,774	5,191	5,896	5,491	5,342	5,248
<b>Audits conducted</b>	2,539	3,841	2,781	2,096	2,802	3,135
<b>Percent of Dealers audited</b>	37%	74%	47%	38%	52%	60%
	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>
<b>Violation letters</b>	521	603	599	400	412	500
<b>Percent in violation</b>	21%	16%	22%	19%	15%	16%
	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>
<b>Cases generated</b>	588	861	657	213	289	443
<b>Percent generating cases</b>	23%	22%	24%	10%	10%	14%

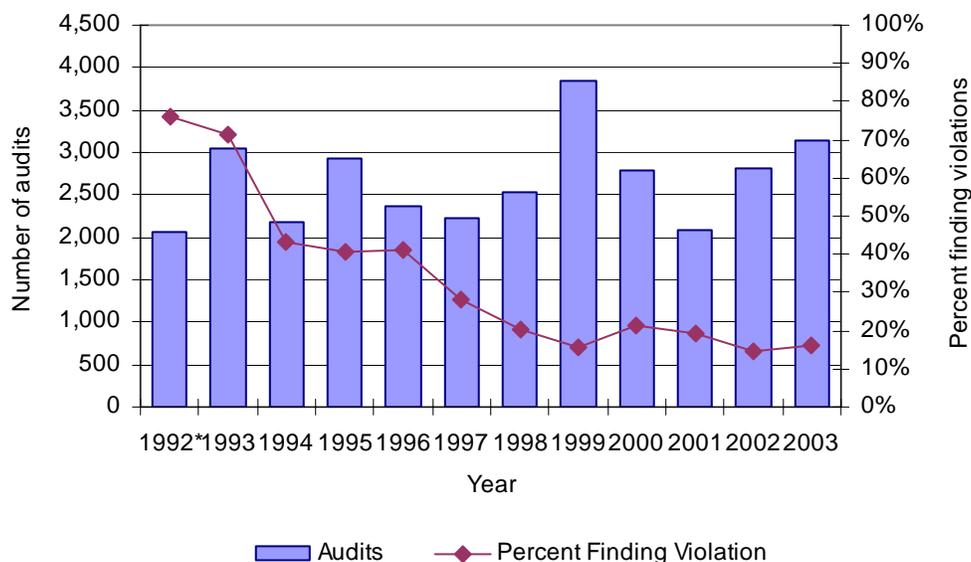
\* July 1992 to December 1992.

\*\*Includes scrap processors, auto parts recyclers, rebuilders, and repairers only.

Source: Performance Reports, SOS Special Audit Teams

**Figure 3**

**Audits and percentage finding violations  
1992-2003**



\* July 1992 to December 1992.  
Source: Performance Reports, SOS Special Audit Teams

The Secretary of State Audit Team has recently submitted activity reports for January through December of 2003. During this time, the team conducted 3,135 audits, issued 500 violation letters, and gave 942 charges. The team also inventoried 44,923 vehicles and 5,018 parts. The team was able to review 7,167 certificates of titles, 2,838 salvage certificates, and 17,707 junking certificates. The activities of the team led to the recovery of 52 stolen vehicles during the 2003 calendar year.

**Funding Summary**

The Illinois Motor Vehicle Theft Prevention Act took effect on January 1, 1991, creating the Illinois Motor Vehicle Theft Prevention Council. The Council has the statutory responsibility to prevent, combat, and reduce motor vehicle theft in Illinois. The Act established the Motor Vehicle Theft Prevention Trust Fund, a special trust fund in the State Treasury, from which the Council makes grants to eligible applicants for programs that address the problem of motor vehicle theft in Illinois. The act requires all insurance companies licensed to write private passenger motor vehicle physical damage coverage in Illinois to pay annually into this trust fund an amount equal to \$1 for each earned car year of exposure for physical damage insurance coverage during the previous calendar year. About \$6 million is collected each year.

**Table 2**  
**Funding by program year**  
**1993-2003**

<b>Year</b>	<b>Audit Teams</b>	<b>Insurance Pools</b>	<b>Total Grants</b>	<b>Total Expenditures</b>
1993*	\$1,066,410	---	\$1,066,410	\$990,033
1994**	\$1,625,028	\$282,715	\$1,907,743	\$1,831,852
1995	\$1,275,871	\$360,778	\$1,636,649	\$1,327,600
1996	\$1,154,881	\$289,410	\$1,444,291	\$1,331,030
1997	\$1,538,295	---	\$1,538,295	\$1,326,737
1998	\$1,554,687	---	\$1,554,687	\$1,301,183
1999	\$1,509,208	---	\$1,509,208	\$1,322,838
2000	\$1,198,275	---	\$1,198,275	\$1,198,275
2001	\$1,030,000	---	\$1,030,000	\$918,360
2002	\$1,060,900	---	\$1,060,900	\$982,907
2003	\$1,092,707	---	\$1,092,707	\$1,012,115
<b>Total</b>	<b>\$14,106,262</b>	<b>\$932,903</b>	<b>\$15,039,165</b>	<b>\$13,542,930</b>

\*July 1992 to June 1993.

\*\*July 1993 to December 1994.

Unexpended funds are returned to the Council.

The Motor Vehicle Theft Prevention Trust Fund funds the Secretary of State Special Audit Teams Program. Table 2 lists the amount granted to the unit for each program year. The component of the program that monitors insurance pools and tracks essential parts began in 1994 as a separate funded program; starting in 1997, the two programs were funded under a single grant. In Table 2, separate grant amounts are listed for the years that the programs were separate, along with the total amounts granted to and expended by the two programs together. In 2003, the audit team was awarded \$1,092,707 in grant funds.

## **Conclusion**

The Secretary of State Special Audit Teams Program works to reduce the illegal activities of dealers of vehicles, parts, and scrap in Illinois. The teams aim to create a climate in which dealers are reluctant to buy, sell, or possess stolen vehicles or parts due to the likelihood of being apprehended.

Since the program began, the audit teams have seen a substantial increase in dealer compliance with the law. In 1993, the program's first full year of operation, 72 percent of the audits conducted uncovered one or more violations, and 76 percent generated cases for law enforcement investigation. These percentages declined considerably as the program continued. In 2003, 16 percent of audits found violations, and 14 percent generated law enforcement cases (see Figure 3 and Table 2 above). Since the number of audits has remained high, the declining percentage of violations suggests a substantially higher compliance rate among dealers.

## NOTES

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120 S. Riverside Plaza, Suite 1016  
Chicago, Illinois 60606  
Telephone: 312-793-8550  
TDD: 312-793-4170  
Fax: 312-793-8422  
[www.icjia.state.il.us](http://www.icjia.state.il.us)



**Illinois Criminal Justice Information Authority**

Rod R. Blagojevich, Governor  
Sheldon Sorosky, Chairman  
Lori G. Levin, Executive Director