



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

OFFICE OF THE SECRETARY OF STATE

Compliance Examination
 For the Two Years Ended June 30, 2017

Release Date: March 6, 2018

FINDINGS THIS AUDIT: 4	AGING SCHEDULE OF REPEATED FINDINGS						
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	1	0	1	2013		17-4	
Category 2:	0	3	3	2011		17-3	
Category 3:	0	0	0	2005		17-2	
TOTAL	1	3	4				
FINDINGS LAST AUDIT: 6							

SYNOPSIS

- (17-1) The Office of the Secretary of State (Office) did not identify the required adjustments necessary to ensure the Office’s audited financial statements were accurately prepared.
- (17-2) Multiple employees were permitted to have access to the same cash drawers at the Drivers License Facilities.

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.}

**OFFICE OF THE SECRETARY OF STATE
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2017**

EXPENDITURE STATISTICS	2017	2016	2015
Total Expenditures (All Funds).....	\$ 448,948,741	\$ 418,444,631	\$ 529,846,659
OPERATIONS TOTAL.....	\$ 316,920,422	\$ 274,160,281	\$ 308,505,999
% of Total Expenditures.....	70.6%	65.5%	58.2%
Personal Services.....	175,087,167	180,629,853	192,615,558
Other Payroll Costs (FICA, Retirement).....	21,194,232	22,063,722	22,312,632
All Other Operating Expenditures.....	120,639,023	71,466,706	93,577,809
AWARDS AND GRANTS.....	\$ 125,451,902	\$ 138,129,832	\$ 213,443,088
% of Total Expenditures.....	27.9%	33.0%	40.3%
PERMANENT IMPROVEMENTS.....	\$ 4,380,298	\$ 3,762,130	\$ 4,668,937
% of Total Expenditures.....	1.0%	0.9%	0.9%
REFUNDS.....	\$ 2,196,119	\$ 2,392,388	\$ 3,228,635
% of Total Expenditures.....	0.5%	0.6%	0.6%
Total Receipts.....	\$ 2,480,831,886	\$ 2,432,066,105	\$ 2,438,551,131
Average Number of Employees.....	3,289	3,359	3,453

SELECTED ACTIVITY MEASURES (unaudited)	2017	2016	2015
Passenger Car Licenses	11,979,647	11,553,250	11,776,386
Truck and Bus Licenses.....	1,597,477	1,526,015	1,538,958
Titles.....	3,426,284	3,322,374	3,326,418
Registered Corporations.....	383,671	381,367	376,815
Equity Securities Registered (in billions).....	\$ 152	\$ 165	\$ 181

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

FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS

FAILURE TO IDENTIFY FINANCIAL STATEMENT REPORTING ERRORS

The Office did not identify the required adjustments necessary to ensure the Office's audited financial statements for the year ended June 30, 2017, were accurately presented in accordance with generally accepted accounting principles (GAAP).

The government-wide adjustments were materially misstated by approximately \$340,000,000

The Office's financial statements were originally submitted to the Illinois Office of the Comptroller with errors. The government-wide adjustments on the Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to Statement of Activities were materially misstated by approximately \$340,000,000 primarily due to incorrect pension adjustments. In addition, the governmental funds balance sheet did not balance because total assets and deferred outflows of resources did not equal total liabilities, deferred inflows of resources and fund balances by \$6,000 on the Statement of Net Position and Governmental Funds Balance Sheet. The Office submitted revised financial statements with the previous issues corrected, however, additional misstatements were noted. (Finding 1, pages 13-14)

We recommended the Office implement internal control procedures to assess the risk of material misstatements of the Office's financial statements and devote adequate resources to identify such misstatements during the financial statement preparation and review process.

Office agrees with auditors

Office officials agreed with the recommendation and stated corrective measures will be taken in order to ensure that documentation of Office financial reporting procedures is current and complete, and that appropriate resources are utilized to ensure a more accurate and timely review of reports prior to submission.

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 at 3 facilities visited

During our testing, we visited 6 of the Office's 137 facilities. At 3 of the facilities visited, we noted multiple employees could access the same cash drawer. (Finding 2, pages 15-16)
This finding has been repeated since 2005.

Office agrees with auditors

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 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.)*

OTHER FINDINGS

The remaining findings pertain to inadequate change fund controls and PCI compliance weaknesses and are reportedly being given attention by the Office. We will review the Office's progress towards the implementation of our recommendations in our next compliance examination.

ACCOUNTANT'S OPINION

The accountants conducted a compliance examination of the Office for the two years ended June 30, 2017, as required by the Illinois State Auditing Act. The accountants stated the Office complied, in all material respects, with the requirements described in the report.

This compliance examination was conducted by Kerber, Eck & Braeckel LLP.

SIGNED ORIGINAL ON FILE

JANE CLARK
Division Director

This report is transmitted in accordance with Section 3-14 of the Illinois State Auditing Act.

SIGNED ORIGINAL ON FILE

FRANK J. MAUTINO
Auditor General

FJM:sdw

DIGEST FOOTNOTES

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

2015: The Office accepts this finding. As noted, there were no cases identified where receipts were stolen or used inappropriately. 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.