



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, 2018**

**Release Date: May 16, 2019**

FINDINGS THIS AUDIT: 1	AGING SCHEDULE OF REPEATED FINDINGS						
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
<b>Category 1:</b>	<b>0</b>	<b>1</b>	<b>1</b>	2016	<b>18-1</b>		
Category 2:	0	0	0				
Category 3:	0	0	0				
<b>TOTAL</b>	<b>0</b>	<b>1</b>	<b>1</b>				
<b>FINDINGS LAST AUDIT: 1</b>							

**SYNOPSIS**

- **(18-1)** The Office’s year-end process to identify the balance of cash on hand and cash in transit at June 30 contained inaccuracies.

**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.

{Financial data is summarized on next page.}

**OFFICE OF THE SECRETARY OF STATE  
FINANCIAL AUDIT  
For the Year Ended June 30, 2018**

<b>STATEMENT OF NET POSITION (in thousands)</b>	<b>2018</b>	<b>2017</b>
<b>Assets</b>		
Unexpended appropriations.....	\$ 36,415	\$ 32,678
Cash equity with State Treasurer.....	429,645	310,125
Securities lending collateral of State Treasurer.....	13,703	5,594
Taxes and other receivables, net.....	6,479	5,772
Intergovernmental receivables, net.....	44	78
Due from other State funds.....	603	21
Inventories.....	8,412	3,606
Capital assets.....	183,659	189,256
Deferred outflows of resources.....	259,560	294,774
Other.....	3,871	4,661
Total assets and deferred outflows of resources.....	942,391	846,565
<b>Liabilities</b>		
Accounts payable and accrued liabilities.....	46,887	35,605
Intergovernmental payables.....	9,379	19,152
Due to other State funds or component units.....	2,877	1,869
Unearned revenue.....	24,333	32,222
Obligations under securities lending of State Treasurer.....	13,703	5,594
Net pension liability.....	1,416,813	1,482,072
Deferred inflows of resources.....	219,247	80,963
Long-term obligations.....	1,019,473	15,397
Total liabilities and deferred inflows of resources.....	2,752,712	1,672,874
<b>Net position</b>		
Net investment in capital assets.....	181,370	189,256
Restricted.....	10,060	6,725
Unrestricted.....	(2,001,751)	(1,022,290)
Total net position.....	\$ (1,810,321)	\$ (826,309)
<b>STATEMENT OF ACTIVITIES (in thousands)</b>	<b>2018</b>	<b>2017</b>
<b>Expenses</b>		
General government.....	\$ 593,926	\$ 504,908
<b>Program revenues</b>		
Charges for Services.....	2,074,913	2,103,843
Operating grant revenues.....	28,043	4,800
Net program revenues.....	1,509,030	1,603,735
<b>General revenues</b>		
Interest and investment income.....	420	117
Other taxes.....	209,762	208,529
Other.....	887	2,670
Total general revenues.....	211,069	211,316
<b>Other sources (uses)</b>		
Appropriations from State resources.....	355,056	378,546
Receipts collected and transmitted to State Treasury.....	(2,104,355)	(2,235,578)
Other.....	(979)	(57,008)
Total other sources (uses).....	(1,750,278)	(1,914,040)
<b>Change in net position.....</b>	<b>\$ (30,179)</b>	<b>\$ (98,989)</b>
<b>AGENCY DIRECTOR</b>		
During Examination Period: The Honorable Jesse White		
Currently: The Honorable Jesse White		

## FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

### **WEAKNESS IN DETERMINATION OF CASH ON HAND AND CASH IN TRANSIT AMOUNTS REPORTED IN THE FINANCIAL STATEMENTS**

The Office's year-end process to identify the balance of cash on hand and cash in transit at June 30 contained inaccuracies. The issues associated with the inaccuracies, if not detected and corrected, could materially misstate the Office's financial statements and impact the Statewide financial statements prepared by the Office of the Comptroller.

During the testing over the cash on hand and the cash in transit balances reported in the General Revenue Fund (Fund 0001), the Road Fund (0011), and the State Construction Account Fund (Fund 0902) auditors noted the following errors in calculation:

**Omission resulted in additional \$9.5 million in receipts in the Road Fund**

**Error resulted in an overstatement of receipts of \$2.4 million in the General Revenue Fund and an understatement of receipts of \$3 million in the Road Fund**

**Error resulted in an overstatement of receipts of \$8.7 million in the Road Fund and an understatement of receipts of \$8.7 million in the State Construction Account Fund**

- The query used to determine the June receipts received by the Office, but not yet deposited into the Illinois State Treasurer's clearing accounts at June 30, 2018, did not include June receipts that were still being reconciled to support records on the date the query was run. This omission resulted in an additional \$9.5 million in receipts for the Road Fund and \$9 thousand in receipts for the General Revenue Fund.
- The spreadsheet used to calculate the June receipts held in the Treasurer's clearing accounts, but not yet remitted to the Office of the Comptroller, improperly included fiscal year 2017 data in the calculation. This error resulted in an overstatement of receipts of \$2.4 million in the General Revenue Fund and an understatement of receipts of \$3 million in the Road Fund.
- The amount underfunded to the State Construction Account Fund as of June 30, 2018 was not considered in the cash in transit balance allocated at the fiscal year end. The related receipts were received by the Office before June 30, 2018 but were not paid to the State Construction Account Fund until August 2018. Due to the cash in transit process in which receipts not allocated to specific funds are allocated to the Road Fund, the receipts were held in the Road Fund at June 30, 2018. This error resulted in an overstatement of receipts of \$8.7 million in the Road Fund and an understatement of receipts of \$8.7 million in the State Construction Account Fund.

Audit adjustments to the Office's financial statements were made for the Road Fund and State Construction Fund. The errors identified in the General Revenue Fund were not considered material by the Office and were not corrected as of June 30, 2018. (Finding 1, pages 70-72).

We recommended the Office implement a process to review the calculation over the cash on hand and cash in transit process to determine that the calculation includes the correct fiscal year information and considers all in transit activity as of June 30<sup>th</sup>.

**Office agrees with auditors**

Office officials agreed with the recommendation and stated it plans to review all of the fees it collects on behalf of the State of Illinois and will implement a process to ensure calculations over the cash on hand and cash in transit include the correct fiscal year information.

**AUDITOR'S OPINION**

The auditors stated the financial statements of the Agency as of and for the year ended June 30, 2018 are fairly stated in all material respects.

This financial audit was conducted by Sikich, 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

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