



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, 2021**

**Release Date: June 1, 2022**

FINDINGS THIS AUDIT: 3	New	Repeat	Total	AGING SCHEDULE OF REPEATED FINDINGS			
				Repeated Since	Category 1	Category 2	Category 3
Category 1:	0	2	2	2020	20-2		
Category 2:	1	0	1	2016	20-1		
Category 3:	0	0	0				
<b>TOTAL</b>	<b>1</b>	<b>2</b>	<b>3</b>				
FINDINGS LAST AUDIT: 3							

**SYNOPSIS**

- **(20-01)** The Office of the Secretary of State (Office) used incorrect queries to determine the adjustment to record cash on hand and cash in transit at fiscal year-end and mistakenly included receipts from July 2021 in receipts deposited in the Illinois State Treasurer’s clearing accounts at the end of June 2021.
- **(20-02)** The Office did not develop or retain adequate supporting documentation for its personnel transactions and did not have a reconciliation process to provide assurance census data submitted to its pension and other postemployment benefits (OPEB) plans was complete and accurate.

**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.

**OFFICE OF THE SECRETARY OF STATE  
FINANCIAL AUDIT  
For the Year Ended June 30, 2021**

<b>STATEMENT OF NET POSITION (in thousands)</b>	<b>FY 2021</b>	<b>FY 2020</b>
<b>Assets</b>		
Unexpended appropriations.....	\$ 28,137	\$ 30,188
Cash equity with State Treasurer.....	376,590	443,036
Securities lending collateral of State Treasurer.....	11,324	11,713
Taxes and other receivables, net.....	3,626	3,507
Intergovernmental receivables, net.....	837	138
Due from other State funds.....	222	234
Inventories.....	4,341	4,248
Capital assets.....	165,732	169,157
Deferred outflows of resources.....	477,918	575,906
Other.....	5,785	5,852
Total assets and deferred outflows of resources.....	1,074,512	1,243,979
<b>Liabilities</b>		
Accounts payable and accrued liabilities.....	15,648	22,036
Intergovernmental payables.....	23,214	27,760
Due to other State funds or component units.....	1,496	4,175
Unearned revenue.....	31,455	30,301
Obligations under securities lending of State Treasurer.....	11,324	11,713
Net pension liability.....	1,531,718	1,357,651
Deferred inflows of resources.....	333,902	380,312
Long-term obligations.....	1,425,108	1,346,574
Total liabilities and deferred inflows of resources.....	3,373,865	3,180,522
<b>Net position</b>		
Net investment in capital assets.....	164,849	167,699
Restricted.....	13,531	12,878
Unrestricted.....	(2,477,733)	(2,117,120)
Total net position.....	\$ (2,299,353)	\$ (1,936,543)
<b>STATEMENT OF ACTIVITIES (in thousands)</b>	<b>FY 2021</b>	<b>FY 2020</b>
<b>Expenses</b>		
General government.....	\$ 578,499	\$ 640,748
<b>Program revenues</b>		
Charges for Services.....	2,756,793	2,180,779
Operating grant revenues.....	7,139	5,393
Net program revenues.....	2,185,433	1,545,424
<b>General revenues</b>		
Interest and investment income.....	105	615
Other taxes.....	284,917	242,366
Other.....	1,780	1,858
Total general revenues.....	286,802	244,839
<b>Other sources (uses)</b>		
Appropriations from State resources.....	469,373	466,173
Receipts collected and transmitted to State Treasury.....	(3,020,856)	(2,249,706)
Other.....	(36,961)	(54,494)
Total other sources (uses).....	(2,588,444)	(1,838,027)
<b>Change in net position.....</b>	<b>\$ (116,209)</b>	<b>\$ (47,764)</b>
<b>AGENCY DIRECTOR</b>		
During Examination Period: The Honorable Jesse White		
Currently: The Honorable Jesse White		

**FINDINGS, CONCLUSIONS, AND  
RECOMMENDATIONS**

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

The Office used incorrect queries to determine the adjustment to record cash on hand and cash in transit at fiscal year-end. The Office mistakenly included receipts from July 2021 in receipts deposited in the Illinois State Treasurer's clearing accounts at the end of June 2021.

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

**Spreadsheet used to calculate total  
cash on hand included errors**

- The spreadsheet used to calculate total cash on hand and cash in transit for the General Revenue Fund and Road Fund excluded deposits from June 28 – 30, 2021 and improperly included July 2021 receipts from the queries used to determine June receipts not yet deposited into the Treasurer's Clearing Accounts at June 30, 2021. This resulted in a \$3.5 million overstatement in the General Revenue Fund and a \$47.2 million understatement in the Road Fund.

**June deposits incorrectly included  
cash on hand and cash in transit**

- The June deposits included in the cash on hand and cash in transit calculations that were held in the Illinois State Treasurer clearing accounts but not yet remitted to the Illinois Office of Comptroller excluded deposits from June 28 -30, 2021 and improperly included July 2021 receipts from the queries used to determine June receipts not yet deposited into the Treasurer's Clearing Accounts at June 30, 2021. This resulted in a \$1.6 million overstatement in the General Revenue Fund and a \$41.0 million overstatement in the Road Fund. (Finding 1, pages 66-67) **This finding was first reported in 2016.**

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 agreed**

Office officials agreed with the recommendation.

## **INADEQUATE INTERNAL CONTROLS OVER CENSUS DATA**

The Office did not develop or retain adequate supporting documentation for its personnel transactions and did not have a reconciliation process to provide assurance census data submitted to its pension and other postemployment benefits (OPEB) plans was complete and accurate.

During testing, we noted included the following:

**Initial reconciliation of census data to SERS was not performed**

- The Office had not performed an initial complete reconciliation of its census data recorded by State Employees' Retirement System (SERS) to its internal records to establish a base year of complete and accurate census data.

**Process to annually obtain changes had not been developed**

- After establishing a base year, the Office had not developed a process to annually obtain from SERS the incremental changes recorded by SERS in their census data records and reconcile these changes back to the Office's internal supporting records.
- For one of 120 employees tested, their gender listed per the supporting documentation in their payroll file did not match the gender listed in their data on the SERS payroll transaction report for Fiscal Year 2019. When made aware of the error, the Office corrected it and notified SERS of the change that needed to be made. (Finding 2, pages 68-70).

We recommended the Office implement controls to ensure employee contributions to SERS are complete, accurate, and in accordance with the Illinois Pension Code. Further, we recommended the Office work with SERS and CMS to develop an annual reconciliation process of its active members' census data from its underlying records to a report from each plan of census data submitted to the plan's actuary.

**Office accepts recommendation**

The Office accepted the recommendation.

## **OTHER FINDINGS**

The remaining finding pertained to lack of controls over changes to its applications. We will review the Office's progress towards the implementation of our recommendations in our next financial audit.

**AUDITOR'S OPINION**

The auditors stated the financial statements of the Office as of and for the year ended June 30, 2021 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

FJM:SDW