



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, 2024**

Release Date: January 23, 2025

FINDINGS THIS AUDIT: 2				AGING SCHEDULE OF REPEATED FINDINGS			
	<u>New</u>	<u>Repeat</u>	<u>Total</u>	<u>Repeated Since</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>
Category 1:	0	0	0	2020		24-1	
Category 2:	1	1	2				
Category 3:	<u>0</u>	<u>0</u>	<u>0</u>				
TOTAL	1	1	2				
FINDINGS LAST AUDIT: 1							

SYNOPSIS

- (24-1) The Office of the Illinois Secretary of State (Office) had certain deficiencies in their internal control to ensure accurate census data was provided to the State Employees' Retirement System of Illinois (System) for use in the applicable annual actuarial valuations.
- (24-2) The Office inaccurately calculated cash in transit at June 30, 2024, in the General Fund (Fund 0001).

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, 2024**

STATEMENT OF NET POSITION (in thousands)	FY 2024	FY 2023
Assets and Deferred Outflows of Resources		
Unexpended appropriations.....	\$ 22,201	\$ 31,269
Cash equity with State Treasurer.....	495,613	420,855
Securities lending collateral of State Treasurer.....	12,111	10,485
Taxes and other receivables, net.....	11,717	11,235
Intergovernmental receivables, net.....	281	305
Due from other State funds.....	8,850	10,492
Inventories.....	4,435	7,101
Capital assets.....	381,609	289,496
Deferred outflows of resources.....	335,163	385,018
Other.....	2,459	4,993
Total assets and deferred outflows of resources.....	<u>1,274,439</u>	<u>1,171,249</u>
Liabilities and Deferred Inflows of Resources		
Accounts payable and accrued liabilities.....	27,559	19,793
Intergovernmental payables.....	7,135	14,624
Due to other State funds or component units.....	6,145	1,168
Unearned revenue.....	29,806	31,742
Obligations under securities lending of State Treasurer.....	12,111	10,485
Net pension liability.....	1,395,418	1,387,146
Deferred inflows of resources.....	774,833	1,008,392
Long-term obligations.....	476,404	495,318
Total liabilities and deferred inflows of resources.....	<u>2,729,411</u>	<u>2,968,668</u>
Net position		
Net investment in capital assets.....	360,334	268,144
Restricted.....	16,930	14,578
Unrestricted.....	(1,832,236)	(2,080,141)
Total net position.....	<u>\$ (1,454,972)</u>	<u>\$ (1,797,419)</u>
STATEMENT OF ACTIVITIES (in thousands)	FY 2024	FY 2023
Expenses		
General government.....	\$ 428,705	\$ 339,379
Program revenues		
Charges for Services.....	2,761,237	2,647,904
Operating grant revenues.....	5,363	6,857
Net program revenues.....	<u>2,337,895</u>	<u>2,315,382</u>
General revenues		
Interest and investment income.....	2,364	1,303
Other taxes.....	205,803	232,231
Other.....	2,883	888
Total general revenues.....	<u>211,050</u>	<u>234,422</u>
Other sources (uses)		
Appropriations from State resources.....	532,571	508,581
Receipts collected and transmitted to State Treasury.....	(2,813,036)	(2,786,579)
Other.....	73,967	76,274
Total other sources (uses).....	<u>(2,206,498)</u>	<u>(2,201,724)</u>
Change in net position.....	<u>\$ 342,447</u>	<u>\$ 348,080</u>
AGENCY DIRECTOR		
During Examination Period: The Honorable Alexi Giannoulis		
Currently: The Honorable Alexi Giannoulis		

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

INACCURATE CENSUS DATA

The Office had certain deficiencies in their internal control to ensure accurate census data was provided to the State Employees' Retirement System of Illinois (System) for use in the applicable annual actuarial valuations.

Census data is used in the plan's actuarial valuations

Census data is demographic data (date of birth, gender, years of service, etc.) of the active, inactive, or retired members of a pension or other postemployment benefit (OPEB) plan. The accumulation of inactive or retired members' census data occurs before the current accumulation period of census data used in the plan's actuarial valuations (which eventually flows into each employer's financial statements), meaning the plan is solely responsible for establishing internal controls over these records and transmitting this data to the plan's actuary. In contrast, responsibility for active members' census data during the current accumulation period is split among the plan and each member's current employer(s). Initially, employers must accurately transmit census data elements of their employees to the plan. Then, the plan must record and retain these records for active employees and then transmit this census data to the plan's actuary.

Office employees are members of both the System and SEGIP

We noted the Office's employees are members of both the pension plan administered by the System and the State Employees Group Insurance Program (SEGIP) sponsored by the State of Illinois which includes OPEB. In addition, we noted these plans have characteristics of different types of pension and OPEB plans, including single employer plans and cost-sharing multiple-employer plans.

During the performance of the OPEB census examination (covering data as of June 30, 2022, used in the June 30, 2023 OPEB actuarial valuation, for use in the employer's June 30, 2024 financial statements), it was identified that:

Incorrect gender reported on payroll reports

- During backwards testing, the auditors identified one of sixty (2%) employees included on Office payroll reports with an incorrect gender.

Reconciliations were not timely communicated to the System

- During the review of the Office's reconciliation of its census data recorded by the System and State to its internal records, it was noted that, as of March 2023, the reconciliation had not yet been communicated to the System.

During the performance of the pension census examination (covering data as of June 30, 2023, used in the June 30, 2023

pension actuarial valuation, for use in the employer's June 30, 2024 financial statements), it was identified that:

Incorrect retirement deduction code reported on payroll

- During forwards testing, the auditors identified two of sixty (3%) employees included on Office payroll reports with an incorrect retirement deduction code.

The result of the errors in each of the first bullets above led to inaccurate census data being utilized by the System and the State in the performance of the annual pension and OPEB actuarial valuation processes. The independent actuaries utilized by the System and the State of Illinois for the pension and OPEB plans deemed the error immaterial to the plan level valuations as a whole. (Finding 1, pages 62-64) **This finding was first reported in 2020.**

We recommended the Office strengthen controls to ensure accurate census data is provided to the System and the State for use in the annual actuarial valuation process. If differences are noted between the Office's data and the System and State's data, these differences should be communicated timely and rectified to ensure the actuarial valuations are using accurate data. We further recommended the Office strengthen controls to complete timely reconciliations of its census data with the System.

Office accepted recommendation

Office officials accepted the recommendation. In regards to the OPEB related issues, officials stated the Office did perform the reconciliation of census data but it was inadvertently sent late. The Office stated they will strengthen its internal controls to meet the deadlines and continue to work with the System to perform future reconciliations. In regards to the pension related issues, Office officials stated they have since strengthened their internal controls on determining Tier status for new employees. Office officials further stated they will continue to monitor and evaluate their internal controls to ensure accurate census data.

INACCURATELY CALCULATED CASH IN TRANSIT

The Office inaccurately calculated cash in transit at June 30, 2024, in the General Fund (Fund 0001).

Cash in transit balance did not include adjustments resulting in understatement of \$6.4 million

During the testing of the cash on hand and cash in transit balances reported in the General Fund (Fund 0001) at June 30, 2024, auditors noted a material difference when comparing the license and fee revenue's cash in transit balance per the Office's GAAP package to the balance recalculated with support from the estimated sales/fee imposition process provided to us by the Office. Auditors noted the cash in transit balance at June 30, 2024, did not include the adjustments, per the estimated sales/fee imposition process, for license and fees revenue from the months of May and June 2024. This error resulted in the total cash in transit balance for the General

Fund at fiscal year-end being understated by \$6.4 million.
(Finding 2, pages 65-66)

We recommended the Office strengthen their controls and review processes to ensure the cash in transit balance in its financial statements is accurate as of June 30th.

Office accepted recommendation

Office officials accepted the finding and stated they will strengthen their internal controls over the cash in transit entry process to ensure accuracy in future financial statements.

AUDITOR'S OPINIONS

The auditors stated the financial statements of the Office as of and for the year ended June 30, 2024 are fairly stated in all material respects.

This financial audit was conducted by Sikich CPA LLC.

SIGNED ORIGINAL ON FILE

COURTNEY DZIERWA
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