

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, 2017

Release Date: January 9, 2018

FINDINGS THIS AUDIT: 1				AGING SCHEDULE OF REPEATED FINDINGS				
	New	Repeat	<u>Total</u>	Repeated Since	Category 1	Category 2	Category 3	
Category 1:	0	1	1	2016	17-1			
Category 2:	0	0	0					
Category 3:	0	0	0					
TOTAL	0	1	1					
FINDINGS LAST AUDIT: 1								

INTRODUCTION

This digest covers the financial statement audit of the Office of the Secretary of State (Office) as of and for the year ended June 30, 2017. The Office's Compliance Examination covering the two years ended June 30, 2017 will be issued in a separate report at a later date.

SYNOPSIS

• (17-1) The Office did not identify the required adjustments necessary to ensure the Office's audited financial statements were accurately prepared.

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.

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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.}

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OFFICE OF THE SECRETARY OF STATE FINANCIAL AUDIT For the Year Ended June 30, 2017

STATEMENT OF NET POSITION (in thousands)		2017		2016
Assets				
Unexpended appropriations	\$	32,678	\$	10,995
Cash equity with State Treasurer		310,125		295,768
Securities lending collateral of State Treasurer		5,594		2,417
Taxes and other receivables, net		5,772		6,615
Intergovernmental receivables, net		78		18
Due from other State funds		21		2
Inventories		3,606		3,208
Capital assets		189,256		198.270
Deferred outflows of resources		294,774		119,240
Other		4,661		4,363
Total assets and deferred outflows of resources		846,565		640,896
Liabilities				
Accounts payable and accrued liabilities		35,605		21,000
Intergovernmental payables		19,152		9,204
Due to other State funds or component units		1,869		3,063
Unearned revenue		32,222		17,118
Obligations under securities lending of State Treasurer		5,594		2,417
Net pension liability		1,482,072		1,224,257
Deferred inflows of resources		80,963		74,319
Long-term obligations		15,397		16,838
Total liabilities and deferred inflows of resources		1,672,874		1,368,216
		1,072,071		1,300,210
Net position				
Net investment in capital assets		189,256		198,270
Restricted		6,725		5,890
Unrestricted	·	(1,022,290)		(931,480)
Total net position	\$	(826,309)	\$	(727,320)
STATEMENT OF ACTIVITIES (in thousands)		2017		2016
Expenses				
General government	\$	504,908	\$	449,351
Program revenues				
Charges for Services		2,103,843		2,067,916
Operating grant revenues		4,800		6,156
Net program revenues		1,603,735		1,624,721
General revenues				
Interest and investment income		117		37
Other taxes		208,529		208,054
Other		2,670		717
Total general revenues		211,316		208,808
Other sources (uses)				
Appropriations from State resources		378,546		310,457
		(2,235,578)		(2,213,933)
Receipts collected and transmitted to State Treasury				(33,741)
Receipts collected and transmitted to State Treasury Other	_	(57,008)	_	
		(57,008) (1,914,040)		(1,937,217)
Other	\$		\$	(1,937,217) (103,688)
Other Total other sources (uses)	\$	(1,914,040)	\$	
Other Total other sources (uses) Change in net position	\$	(1,914,040)	\$	
Other Total other sources (uses) Change in net position AGENCY DIRECTOR	\$	(1,914,040)	\$	

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

FAILURE TO IDENTIFY FINANICAL STATEMENT REPORTING ERRORS

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

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 62-63).

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 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.

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

Office agrees with auditors

AUDITOR'S OPINION

The auditors stated the financial statements of the Agency as of and for the year ended June 30, 2017 are fairly stated in all material respects.

This financial audit 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