



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, 2016**

Release Date: January 19, 2017

FINDINGS THIS AUDIT: 1				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	No Repeat Findings			
Category 2:	1	0	1				
Category 3:	<u>0</u>	<u>0</u>	<u>0</u>				
TOTAL	1	0	1				
FINDINGS LAST AUDIT: 0							

SYNOPSIS

- (16-01) The Office of the Secretary of State (Office) did not identify a required adjustment 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.
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
FINANCIAL AUDIT
For the Year Ended June 30, 2016**

STATEMENT OF NET POSITION (in thousands)	2016	2015
Assets		
Unexpended appropriations.....	\$ 10,995	\$ 17,411
Cash equity with State Treasurer.....	295,768	328,239
Securities lending collateral of State Treasurer.....	2,417	5,103
Taxes and other receivables, net.....	6,615	6,640
Intergovernmental receivables, net.....	18	48
Due from other State funds.....	2	10,008
Inventories.....	3,208	2,274
Capital assets.....	198,270	210,513
Deferred outflows of resources.....	119,240	126,236
Other.....	4,363	2,893
Total assets and deferred outflows of resources.....	640,896	709,365
Liabilities		
Accounts payable and accrued liabilities.....	21,000	15,737
Intergovernmental payables.....	9,204	1,945
Due to other State funds or component units.....	3,063	2,382
Unearned revenue.....	17,118	24,228
Obligations under securities lending of State Treasurer.....	2,417	5,103
Net pension liability.....	1,224,257	1,176,972
Deferred inflows of resources.....	74,319	88,406
Long-term obligations.....	16,838	18,224
Total liabilities and deferred inflows of resources.....	1,368,216	1,332,997
Net position		
Net investment in capital assets.....	198,270	210,513
Restricted.....	5,890	5,880
Unrestricted.....	(931,480)	(840,025)
Total net position.....	\$ (727,320)	\$ (623,632)
STATEMENT OF ACTIVITIES (in thousands)	2016	2015
Expenses		
General government.....	\$ 449,351	\$ 534,233
Program revenues		
Charges for Services.....	2,067,916	2,057,475
Operating grant revenues.....	6,156	6,762
Net program revenues.....	1,624,721	1,530,004
General revenues		
Interest and investment income.....	37	65
Other taxes.....	208,054	217,241
Other.....	717	1,034
Total general revenues.....	208,808	218,340
Other sources (uses)		
Appropriations from State resources.....	310,457	381,957
Receipts collected and transmitted to State Treasury.....	(2,213,933)	(2,179,492)
Other.....	(33,741)	65,822
Total other sources (uses).....	(1,937,217)	(1,731,713)
Change in net position.....	\$ (103,688)	\$ 16,631
AGENCY DIRECTOR		
During Examination Period: The Honorable Jesse White		
Currently: The Honorable Jesse White		

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

**FAILURE TO IDENTIFY FINANCIAL STATEMENT
REPORT ERROR**

The Office did not identify a required adjustment necessary to ensure the Office's audited financial statements were accurately prepared.

Pension contributions subsequent to the measurement date were improperly excluded from the deferred outflow calculation

A correction was made to increase the adjustment for deferred outflows for pensions on the Statement of Net Position and Governmental Funds Balance Sheet and to decrease the adjustment for general government expenditures on the Statement of Activities and Governmental Revenues, Expenditures and Changes in Fund Balances. The Office's pension contributions subsequent to the measurement date were improperly excluded from the deferred outflow calculation, resulting in an understatement of the deferred outflow balance of \$8.787 million as of June 30, 2016 and an overstatement of general government expenditures of \$8.787 million for the year ended June 30, 2016. (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 to identify such misstatements during the financial statement preparation process.

Office agrees with our recommendation

Office officials agreed with the recommendation and stated the Office will review internal control procedures to ensure accurate financial statements are prepared, and will implement changes as necessary in order to assess and mitigate the risk of material misstatement.

AUDITOR'S OPINION

Our auditors stated the financial statements of the Office of the Secretary of State as of June 30, 2016, and for the year ended, are fairly stated in all material respects.

SIGNED ORIGINAL ON FILE

FRANK J. MAUTINO
Auditor General

FJM:SDW

SPECIAL ASSISTANT AUDITORS

Our Special Assistant Auditors for this audit were Kerber, Eck & Braeckel LLP.