



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, 2019**

**Release Date: February 25, 2020**

FINDINGS THIS AUDIT: 1	New	Repeat	Total	AGING SCHEDULE OF REPEATED FINDINGS			
				Repeated Since	Category 1	Category 2	Category 3
<b>Category 1:</b>	<b>0</b>	<b>1</b>	<b>1</b>	2016	<b>19-1</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**

- **(19-1)** The Office did not properly update calculations and used incorrect query totals to determine the adjustment to record cash on hand and cash in transit at fiscal year-end.

**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, 2019**

<b>STATEMENT OF NET POSITION (in thousands)</b>	<b>2019</b>	<b>2018</b>
<b>Assets</b>		
Unexpended appropriations.....	\$ 34,689	\$ 36,415
Cash equity with State Treasurer.....	349,139	429,645
Securities lending collateral of State Treasurer.....	10,307	13,703
Taxes and other receivables, net.....	5,423	6,479
Intergovernmental receivables, net.....	158	44
Due from other State funds.....	-	603
Inventories.....	5,524	8,412
Capital assets.....	174,728	183,659
Deferred outflows of resources.....	679,609	259,560
Other.....	3,637	3,871
Total assets and deferred outflows of resources.....	1,263,214	942,391
<b>Liabilities</b>		
Accounts payable and accrued liabilities.....	37,447	46,887
Intergovernmental payables.....	12,962	9,379
Due to other State funds or component units.....	2,919	2,877
Unearned revenue.....	23,124	24,333
Obligations under securities lending of State Treasurer.....	10,307	13,703
Net pension liability.....	1,446,189	1,416,813
Deferred inflows of resources.....	301,641	219,247
Long-term obligations.....	1,317,404	1,019,473
Total liabilities and deferred inflows of resources.....	3,151,993	2,752,712
<b>Net position</b>		
Net investment in capital assets.....	172,748	181,370
Restricted.....	11,165	10,060
Unrestricted.....	(2,072,692)	(2,001,751)
Total net position.....	\$ (1,888,779)	\$ (1,810,321)
<b>STATEMENT OF ACTIVITIES (in thousands)</b>	<b>2019</b>	<b>2018</b>
<b>Expenses</b>		
General government.....	\$ 533,124	\$ 593,926
<b>Program revenues</b>		
Charges for Services.....	2,067,252	2,074,913
Operating grant revenues.....	5,620	28,043
Net program revenues.....	1,539,748	1,509,030
<b>General revenues</b>		
Interest and investment income.....	670	420
Other taxes.....	248,985	209,762
Other.....	830	887
Total general revenues.....	250,485	211,069
<b>Other sources (uses)</b>		
Appropriations from State resources.....	440,793	355,056
Receipts collected and transmitted to State Treasury.....	(2,311,047)	(2,104,355)
Other.....	1,563	(979)
Total other sources (uses).....	(1,868,691)	(1,750,278)
<b>Change in net position.....</b>	<b>\$ (78,458)</b>	<b>\$ (30,179)</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 did not properly update calculations and used incorrect query totals to determine the adjustment to record cash on hand and cash in transit at fiscal year-end. Additionally, the Office failed to record the cash on hand entry for the General Revenue Fund.

During the testing over the cash on hand and the 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:

- The spreadsheet used to calculate the total cash on hand and cash in transit for the Road Fund improperly included Fiscal Year 2018 data. The amount of June receipts held in the Treasurer's Clearing Accounts but not yet remitted to the Illinois Office of the Comptroller at June 30, 2019 was overstated by \$477 thousand. The amount of June receipts not yet deposited into the Treasurer's Clearing Accounts at June 30, 2019 was understated by \$15.2 million. The net understatement in the Road Fund due to this error was \$14.7 million.
- The spreadsheet used to calculate total cash on hand and cash in transit for the General Revenue Fund improperly included July 2020 receipts from the queries used to determine June receipts not yet deposited into the Treasurer's Clearing Accounts at June 30, 2019. This resulted in a \$6.6 million overstatement in the General Revenue Fund.
- The Office failed to report cash on hand for the General Revenue Fund resulting in an understatement of \$13.9 million.
- The spreadsheet used to calculate the cash in transit for the General Revenue Fund for delinquent registration fees understated the amount allocated to the General Revenue Fund and overstated the amount allocated to the Road Fund by \$828 thousand.
- In addition to the items above, auditors noted other errors in the spreadsheets that resulted in a \$6 thousand overstatement in the Road Fund. (Finding 1, pages 62-64). **This finding was first reported in 2016.**

**Error resulted in net understatement of \$14.7 million in receipts in the Road Fund**

**Error resulted in an overstatement of receipts of \$6.6 million in the General Revenue Fund**

**Failure to report cash on hand resulted in an understatement of \$13.9 million**

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 the issues noted have been presented and discussed with the Office personnel responsible for the preparation of this information. Further, Office officials stated they have committed additional resources to aid in the review and oversight of the year-end adjustment calculations.

**AUDITOR'S OPINION**

The auditors stated the financial statements of the Office as of and for the year ended June 30, 2019 are fairly stated in all material respects.

This financial audit was conducted by Sikich, LLP.

**SIGNED ORIGINAL ON FILE**

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JANE CLARK  
Division Director

This report is transmitted in accordance with Section 3-14 of the Illinois State Auditing Act.

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FRANK J. MAUTINO  
Auditor General

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