

**OFFICE OF THE SECRETARY OF STATE
FINANCIAL AUDIT
For the Year Ended June 30, 2022**

STATEMENT OF NET POSITION (in thousands)	FY 2022	FY 2021
Assets		
Unexpended appropriations.....	\$ 27,919	\$ 28,137
Cash equity with State Treasurer.....	416,201	376,590
Securities lending collateral of State Treasurer.....	5,996	11,324
Taxes and other receivables, net.....	10,101	3,626
Intergovernmental receivables, net.....	1,784	837
Due from other State funds.....	89	222
Inventories.....	4,398	4,341
Capital assets.....	195,893	165,732
Deferred outflows of resources.....	463,611	477,918
Other.....	1,932	5,785
Total assets and deferred outflows of resources.....	1,127,924	1,074,512
Liabilities		
Accounts payable and accrued liabilities.....	20,337	15,648
Intergovernmental payables.....	23,674	23,214
Due to other State funds or component units.....	1,374	1,496
Unearned revenue.....	29,365	31,455
Obligations under securities lending of State Treasurer.....	5,996	11,324
Net pension liability.....	1,425,650	1,531,718
Deferred inflows of resources.....	719,433	333,902
Long-term obligations.....	1,047,594	1,425,108
Total liabilities and deferred inflows of resources.....	3,273,423	3,373,865
Net position		
Net investment in capital assets.....	179,753	164,849
Restricted.....	13,498	13,531
Unrestricted.....	(2,338,750)	(2,477,733)
Total net position.....	\$ (2,145,499)	\$ (2,299,353)
STATEMENT OF ACTIVITIES (in thousands)	FY 2022	FY 2021
Expenses		
General government.....	\$ 446,234	\$ 578,499
Program revenues		
Charges for Services.....	2,663,125	2,756,793
Operating grant revenues.....	9,130	7,139
Net program revenues.....	2,226,021	2,185,433
General revenues		
Interest and investment income.....	234	105
Other taxes.....	220,126	284,917
Other.....	3,081	1,780
Total general revenues.....	223,441	286,802
Other sources (uses)		
Appropriations from State resources.....	475,245	469,373
Receipts collected and transmitted to State Treasury.....	(2,746,712)	(3,020,856)
Other.....	(24,206)	(36,961)
Total other sources (uses).....	(2,295,673)	(2,588,444)
Change in net position.....	\$ 153,789	\$ (116,209)
AGENCY DIRECTOR		
During Examination Period: The Honorable Jesse White		
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 plans 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 census examination, it was identified that:

Incorrect information found during backwards testing

- During backwards testing, the auditors identified two of sixty (3%) employees included on Office payroll reports, one with an incorrect retirement deduction code and the other an incorrect date of birth.

Reconciliations were not performed

- The Office had not performed an initial complete reconciliation of its census data recorded by the System to its internal records to establish a base year of complete and accurate census data.

The result of the error in the first bullet 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 errors immaterial to the plan level valuations as a whole. (Finding 1, pages 65-67) **This finding was first reported in 2020.**

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

Further, we recommended the Office work with the System 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. After completing an initial full reconciliation, the Office may limit the annual reconciliations to focus on the incremental changes to the census data file from the prior actuarial valuation, provided no risks are identified that incomplete or inaccurate reporting of census data may have occurred during prior periods.

Office agreed

Office officials agreed with the recommendation and stated the Office did perform the reconciliation of census data but the System was miscalculating some of the Office's employee data. Office officials also stated they believe the problem has been found and they will continue to work with the System to perform future reconciliations.

AUDITOR'S OPINION

The auditors stated the financial statements of the Office as of and for the year ended June 30, 2022 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.

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FRANK J. MAUTINO
Auditor General

FJM:sdw