



**OFFICE OF THE SECRETARY OF STATE  
FINANCIAL AUDIT  
For the Year Ended June 30, 2023**

<b>STATEMENT OF NET POSITION (in thousands)</b>	<b>FY 2023</b>	<b>FY 2022</b>
<b>Assets</b>		
Unexpended appropriations.....	\$ 31,269	\$ 27,919
Cash equity with State Treasurer.....	420,855	416,201
Securities lending collateral of State Treasurer.....	10,485	5,996
Taxes and other receivables, net.....	11,235	10,101
Intergovernmental receivables, net.....	305	1,784
Due from other State funds.....	10,492	89
Inventories.....	7,101	4,398
Capital assets.....	289,496	195,893
Deferred outflows of resources.....	385,018	463,611
Other.....	4,993	1,932
Total assets and deferred outflows of resources.....	<u>1,171,249</u>	<u>1,127,924</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities.....	19,793	20,337
Intergovernmental payables.....	14,624	23,674
Due to other State funds or component units.....	1,168	1,374
Unearned revenue.....	31,742	29,365
Obligations under securities lending of State Treasurer.....	10,485	5,996
Net pension liability.....	1,387,146	1,425,650
Deferred inflows of resources.....	1,008,392	719,433
Long-term obligations.....	495,318	1,047,594
Total liabilities and deferred inflows of resources.....	<u>2,968,668</u>	<u>3,273,423</u>
<b>Net position</b>		
Net investment in capital assets.....	268,144	179,753
Restricted.....	14,578	13,498
Unrestricted.....	(2,080,141)	(2,338,750)
Total net position.....	<u>\$ (1,797,419)</u>	<u>\$ (2,145,499)</u>
<b>STATEMENT OF ACTIVITIES (in thousands)</b>	<b>FY 2023</b>	<b>FY 2022</b>
<b>Expenses</b>		
General government.....	\$ 339,379	\$ 446,234
<b>Program revenues</b>		
Charges for Services.....	2,647,904	2,663,125
Operating grant revenues.....	6,857	9,130
Net program revenues.....	<u>2,315,382</u>	<u>2,226,021</u>
<b>General revenues</b>		
Interest and investment income.....	1,303	234
Other taxes.....	232,231	220,126
Other.....	888	3,081
Total general revenues.....	<u>234,422</u>	<u>223,441</u>
<b>Other sources (uses)</b>		
Appropriations from State resources.....	508,581	475,245
Receipts collected and transmitted to State Treasury.....	(2,786,579)	(2,746,712)
Other.....	76,274	(24,206)
Total other sources (uses).....	<u>(2,201,724)</u>	<u>(2,295,673)</u>
<b>Change in net position.....</b>	<u>\$ 348,080</u>	<u>\$ 153,789</u>
<b>AGENCY DIRECTOR</b>		
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 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 OPEB census examination (covering data as of June 30, 2021, used in the June 30, 2022 OPEB actuarial valuation, for use in the employer's June 30, 2023 financial statements), it was identified that:

#### **Incorrect information found during backwards testing**

- During backwards testing, the auditors identified one of sixty (2%) employees included on Office payroll reports with 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 and State to its internal records to establish a base year of complete and accurate census data.

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

**Incorrect information found during forwards testing**

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

**Reconciliations were not performed**

- 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.

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 errors immaterial to the plan level valuations as a whole. (Finding 1, pages 64-66) **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’s data, these differences should be communicated timely and rectified to ensure the actuarial valuations are using accurate data.

**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 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. In regards to the pension related issues, Office officials stated the Office did perform the reconciliation of census data but it was inadvertently sent late. Office officials stated they will strengthen its internal controls to meet the deadlines and 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, 2023 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.

**SIGNED ORIGINAL ON FILE**

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FRANK J. MAUTINO  
Auditor General

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