



Office of Missouri State Auditor  
**Nicole Galloway, CPA**

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Office of Secretary of State



**Nicole Galloway, CPA**  
Missouri State Auditor

# CITIZENS SUMMARY

## Findings in the audit of the Office of Secretary of State

### Background

The Office of Secretary of State (SOS) is an elective office as provided in the Missouri Constitution. Article IV, Section 14, established the duties of the Secretary of State to (1) be custodian of the state seal, (2) keep a register of the official acts of the governor, (3) be custodian of records and documents, and (4) perform such duties in relation to elections and corporations as provided by law.

To accommodate the responsibilities of record keeping, registration, and administration, the Secretary of State's office is divided into the following major divisions: Business Services, Elections, Securities, Missouri State Library, Records and Archives, and Administrative Rules. Some areas are composed of separate sections that perform specific functions.

On January 14, 2013, Jason Kander was inaugurated as the thirty-ninth Secretary of State. His term expired on January 9, 2017. On that date, John R. (Jay) Ashcroft was inaugurated as the state's fortieth Secretary of State.

### Business Services Division Fund Allocations

While the SOS implemented procedures to address fund allocation issues identified in our prior audit report, some allocation errors involving prepayments continued to occur. The allocation errors resulted in an over-allocation to the state General Revenue Fund and an under-allocation to the SOS's Technology Trust Fund, totaling \$5,332 during the period July 1, 2015 to January 9, 2017, a total of \$13,247 back to 2012.

In the areas audited, the overall performance of this entity was **Good**.\*

\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

**All reports are available on our Web site: [auditor.mo.gov](http://auditor.mo.gov)**

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# Office of Secretary of State

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## **NICOLE GALLOWAY, CPA**

### **Missouri State Auditor**

Honorable Jason Kander  
and  
Honorable John R. (Jay) Ashcroft, Secretary of State  
Jefferson City, Missouri

We have audited certain operations of the Office of Secretary of State in fulfillment of our duties under Chapter 29, RSMo. The scope of our audit included, but was not necessarily limited to, the period July 1, 2016 to January 9, 2017, and the year ended June 30, 2016. The objectives of our audit were to:

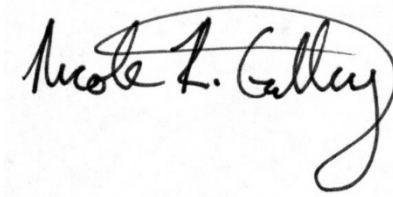
1. Evaluate the office's internal controls over significant management and financial functions.
2. Evaluate the office's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the office; inspection of capital assets; analysis of comparative data obtained from external and/or internal sources; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of applicable contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the office's management and was not subjected to the procedures applied in our audit of the office.

For the areas audited, we identified (1) a deficiency in internal controls, (2) no significant noncompliance with legal provisions, and (3) no significant deficiencies in management practices and procedures. The accompanying Management Advisory Report presents our finding arising from our audit of the Office of Secretary of State.

A handwritten signature in black ink that reads "Nicole R. Galloway". The signature is written in a cursive style with a large, looping flourish at the end of the name.

Nicole R. Galloway, CPA  
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Kim Spraggs, CPA
Audit Manager:	Robyn Vogt, M.Acct., CPA
In-Charge Auditor:	Josh Allen, CPA, CFE
Audit Staff:	Emily Warren

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# Office of Secretary of State

## Management Advisory Report

### State Auditor's Findings

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#### **Business Services Division Fund Allocations**

While the Secretary of State's office (SOS) implemented procedures to address fund allocation issues identified in our prior audit report, some allocation errors involving prepayments continued to occur. The allocation errors resulted in an over-allocation to the state General Revenue Fund (GRF) and an under-allocation to the SOS's Technology Trust Fund (TTF), totaling \$5,332 during the period July 1, 2015 to January 9, 2017.

Our prior audit report,<sup>1</sup> issued in January 2016, reported the SOS did not have effective procedures and oversight to ensure deposits of Business Services Division (BSD) electronic payment collections were allocated between state funds correctly. The net result of the errors identified in that audit caused the GRF to receive at least \$120,000 that should have been deposited to the TTF. Beginning in July 2015, SOS personnel implemented various procedures to address these allocation issues; and by July 2016, the SOS had transferred funds from the GRF to the TTF to correct the errors.

Despite implementation of new procedures, the SOS continued to incorrectly allocate prepayments received by check from one customer for Uniform Commercial Code (UCC) electronic filings. While SOS personnel resolved allocation errors involving credit card prepayments noted in the prior audit, they did not resolve the errors involving a customer that made prepayments by check. According to SOS records, during the period July 1, 2015 to January 9, 2017, the SOS received prepayments totaling \$10,764 from the customer, of which \$5,332 was incorrectly allocated to the GRF instead of the TTF. SOS personnel identified these allocation errors in February 2017, after the employees that processed the customer's prepayments left SOS employment. The SOS subsequently worked with the customer to pay for UCCs as they are filed effective April 2017, and made corrections/transfers totaling \$13,247 from the GRF to the TTF to correct the errors back to 2012. SOS personnel determined these allocation errors had occurred since at least October 2012, and continued to occur without detection after the new allocation procedures were implemented.

Section 400.9-525(a)(1), RSMo, authorizes the BSD to collect a \$5 fee for each UCC filed electronically and the fees are deposited into the GRF. Pursuant to Section 400.9-528, RSMo, the BSD collects an additional \$5 per filing to be deposited into the TTF. To ensure future BSD collections are properly allocated in accordance with state law, the SOS should continue to strengthen procedures and oversight over fund allocations.

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<sup>1</sup> *Office of Secretary of State*, report number 2016-001.



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## Recommendation

The Office of Secretary of State continue to strengthen procedures and oversight to ensure all BSD collections are properly allocated between state funds.

## Auditee's Response

*Former Secretary of State Kander provided the following written response:*

*This under-allocation to the SOS Technology Trust Fund began prior to the Kander administration and once it was identified, it was immediately addressed by the office - as the Auditor noted previously. Ultimately, over an 18-month period the SOS gave just over \$5,000 to the state instead of keeping those funds for the office. The situation has been resolved and had no impact on customers of the SOS.*

*Current Secretary of State Ashcroft provided the following written response:*

*This finding was noted in an audit of the prior Secretary of State and had to be brought to the attention of the audit management by the current Secretary of State via two letters to the State Auditor's office. It is extremely troubling that the Government Accountability Office's (GAO) Yellow Book standards were not followed to determine if the prior finding still existed or had been corrected.*

## Auditor's Comment

Secretary of State Ashcroft's allegation the State Auditor's office (SAO) did not follow *Government Auditing Standards* (Yellow Book) lacks credibility. SOS personnel lack expertise related to *Government Auditing Standards* and have limited knowledge of the specific audit procedures utilized during our audit. The SAO has an extensive quality control system in place and regularly submits to an external peer review to ensure compliance with those standards. The most recent peer review report can be viewed on our website,<sup>2</sup> and concluded our system of quality control was suitably designed and complied with to provide reasonable assurance of performing and reporting in conformity with *Government Auditing Standards*.

As noted in the prior audit report and discussed with SOS personnel throughout this audit, we performed follow-up procedures in accordance with *Government Auditing Standards* in 2015 as part of the prior audit, and again during the current audit. Our follow-up procedures included review of internal controls and records, testing of transactions, and interviewing SOS personnel regarding BSD collections; and determined the SOS had implemented procedures to address the fund allocation issues for electronic payment collections identified in the prior report.

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<sup>2</sup> <https://app.auditor.mo.gov/Repository/AboutUs/peerreviewreport.pdf>



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Office of Secretary of State  
Management Advisory Report - State Auditor's Findings

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In March 2017, SOS personnel informed us of additional allocation errors involving prepayments received by check from one customer. We reviewed this information and reported the additional allocation errors in this audit finding. These additional errors related to check payments, while the errors noted in the prior audit related to electronic payments.

## Auditee's Additional Response

*Current Secretary of State Ashcroft provided the following additional written response regarding the audit report:*

*It is also troubling that footnote 1 on page 15<sup>3</sup> of the audit states that even though the advancement of special election costs should not have been paid there was no audit finding related to these expenditures despite the current Secretary of State providing the State Auditor's office an Opinion from the Missouri Attorney General which indicated that payments for special election costs made by the prior Secretary of State were made contrary to the law. Failure to make a finding and burying the matter in a footnote is contrary to the GAO's Yellow Book guidelines.*

## Auditor's Comment

The referenced footnote discloses the SOS determined certain special election cost reimbursements should not have been paid and reimbursements had been requested from the applicable local election authorities. From the information provided by SOS personnel, we could not conclude noncompliance with the related statutes occurred or is likely to have occurred. The question of whether these reimbursements are proper may be the subject of a legal dispute because there are competing legal interpretations as to whether the SOS must pay for special elections for circuit judges. Furthermore, the SOS identified the letter from the Attorney General's office as an Attorney General Opinion. The letter, however, is not signed by the Attorney General, does not have an Attorney General Opinion number, and is not presented as an Attorney General Opinion under Section 27.040, RSMo, on the Attorney General's website. Our office followed up with the Attorney General's office and confirmed that while the letter is from the Attorney General's office it is not in fact an Attorney General Opinion. Rather, it is an informal opinion by one attorney in that office. Moreover, the question presented to the Attorney General's office did not include substantive facts, such as that the election in question was a special election.

*Government Auditing Standards*, paragraph 7.21, provides a matter of noncompliance should be reported in a finding when auditors conclude, based on sufficient, appropriate evidence, that noncompliance with provisions of laws, regulations, contracts or grant agreements either has

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<sup>3</sup> This statement is referring to a draft version of the audit report. The referenced footnote is located on page 17 of the audit report.





Office of Secretary of State  
Management Advisory Report - State Auditor's Findings

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occurred or is likely to have occurred. Accordingly, because we did not draw such conclusion regarding these special election cost reimbursements, a written finding is not warranted. However, in accordance with our reporting procedures for close out audits of elected officials, a footnote was inserted in Appendix B-1 to disclose the significant outstanding amounts as of the close out date.

# Office of Secretary of State

## Organization and Statistical Information

The Office of Secretary of State is an elective office as provided in the Missouri Constitution. Article IV, Section 14, established the duties of the Secretary of State to (1) be custodian of the state seal, (2) keep a register of the official acts of the governor, (3) be custodian of records and documents, and (4) perform such duties in relation to elections and corporations as provided by law.

To accommodate the responsibilities of record keeping, registration, and administration, the Secretary of State's office is divided into the following major divisions: Business Services, Elections, Securities, Missouri State Library, Records and Archives, and Administrative Rules. Some areas are composed of separate sections that perform specific functions.

Business Services Division: This division is comprised of three sections: Notaries and Commissions, Corporations, and Uniform Commercial Code (UCC). The Notaries and Commissions section maintains the oath of office and signature of each notary, as well as the notary's official bond; authenticates official acts of the governor; maintains the Great Seal of the State of Missouri; maintains bonds and oaths of office for state officials; and is responsible for the official signature, facsimile signature filings, resident agent filings, and trademark and service mark filings. The Corporations section handles the registrations and maintenance of approximately 600,000 active businesses registered in Missouri. Businesses file various documents required by law such as creation documents, annual reports, amendments, mergers, consolidations, dissolutions, terminations, withdrawals, and conversions. The UCC section is responsible for perfecting personal property liens and other creditor interests. These liens are perfected by filing a financing statement in the accepted national format.

The division oversees regional offices for business filings in St. Louis, Kansas City, and Springfield, and the Safe at Home address confidentiality program. The Safe at Home program was created in 2007 to help protect survivors of domestic violence, rape, sexual assault or stalking, and their minor children, through the use of a substitute mailing address through the Secretary of State's office.

Elections Division: This division oversees all statewide elections for both candidates and issues; prepares statewide ballots for primary, general, and certain special elections; and certifies and publishes election results. In addition, the division certifies statewide ballot measures that are proposed by the General Assembly or through the initiative and referendum petition process, including the oversight of signature verification. The division assists Missouri's 116 local election authorities in administering elections and promulgating rules governing elections and electronic voting systems; cooperates with other officials, schools, and civic organizations to provide materials to support voter registration, responsibility, and education; oversees the statewide poll worker recruitment initiative; and assists military and overseas voters by facilitating their voter registration and absentee

ballot request process. The division is also responsible for coordinating Missouri's compliance with federal election law, including the Help America Vote Act of 2002 (HAVA). The division's Election Integrity Unit investigates concerns received from voters and local election authorities.

Securities Division: This division is responsible for ensuring compliance with state securities laws. This responsibility includes enforcement of the law when violations occur, and the registration of securities, broker-dealers, agents, investment advisers, and investment-adviser representatives. State securities laws are intended to protect investors from unsuitable investment recommendations, dishonest or unethical practices, and fraudulent investment schemes. The division is composed of the Enforcement, Examination, and Registration sections. The Enforcement section receives and investigates complaints from Missouri investors. Each year this section fields hundreds of investor complaints, many of which result in cease and desist orders, licensing revocations, investor restitution, civil penalties, or criminal prosecutions. The Examination section regulates the registration of individuals and firms. This section performs routine and for-cause inspections and pre-registration exams of the offices of broker-dealers and investment advisers to ensure compliance with Missouri securities laws. The Registration section reviews proposed securities offerings to ensure that Missouri-approved registrations are "fair, just, and equitable." The division also oversees the Missouri Investor Protection Center, which creates and promotes investor education initiatives designed to educate and assist both current and future investors.

Missouri State Library: The library is responsible for providing library and reference services to Missouri state government; providing library services to the blind and visually impaired; and promoting the development and improvement of library services throughout the state. To fulfill these responsibilities, the library is composed of three sections: Library Development, Reference Services, and the Wolfner Library. The Library Development section supports libraries through consulting, administration of grant programs, continuing education, and statewide programs. Through research, publications, and personal contacts, consultants provide assistance on general library issues and needs, promote the organization and development of library services, manage statewide projects, and maintain statistics on public library services in the state. The Reference Services section supports the research needs of Missouri state government employees with its collections of books, journals, newspapers, and government documents in print and digital formats. In-person and online training is also offered for Missouri state government employees around the state on topics such as census statistics, internet searching, and specific databases. The Wolfner Library serves as the public library for Missourians unable to use standard print because of a visual or physical disability. Wolfner Library services are available to qualified Missourians at no charge.

Records and Archives: This division is responsible for managing both the current and historical records of the state, ensuring they are preserved and making them accessible to Missouri citizens. The division is composed of three sections: the Missouri State Archives, Records Management, and Local Records. The Missouri State Archives is the official repository for government records of enduring value. The Records Management section provides state agencies with the necessary instruments to effectively manage information and records, in order to promote the efficiency and continuity of government, document the rights of Missouri citizens, and preserve the state's heritage. The Local Records section advises, educates, and encourages the custodians of local records in the use of sound records management and archival practices.

Administrative Rules Division: This division is charged with setting uniform standards, procedures, and guidelines for the preparation and publishing of rules in the Missouri Register and the Missouri Code of State Regulations.

The office also includes the following divisions: Information Technology, Communications and Publications, Fiscal and Facilities, and Human Resources. The Information Technology Division coordinates, develops, implements, and supports information technology solutions for the office. The Communications and Publications Division handles a variety of printing and graphic arts responsibilities for the office, including the publication of the Official Manual. The Fiscal and Facilities Division provides fiscal, budget, procurement, and facilities management support and general office services. The Human Resources Division supports personnel recruitment, compensation, benefits, training, and performance evaluation for the office.

On January 14, 2013, Jason Kander was inaugurated as the thirty-ninth Secretary of State. His term expired on January 9, 2017. On that date, John R. (Jay) Ashcroft was inaugurated as the state's fortieth Secretary of State.

## Financial Activity

A summary of the office's operating financial activity is presented in the following Appendixes. In addition, the office collected \$24,929,577 in General Revenue Fund receipts during the year ended June 30, 2016.

Appendix A

Office of Secretary of State  
 Combined Statement of Receipts, Disbursements, and Changes in Cash and Investments  
 Year Ended June 30, 2016

RECORDS-FEDERAL FUND

Receipts	\$ 43,615
Disbursements	<u>43,615</u>
Receipts Over (Under) Disbursements	<u>0</u>
Transfers In	0
Transfers Out	<u>0</u>
Receipts Over (Under) Disbursements and Transfers	<u>0</u>
Cash and Investments, July 1	<u>0</u>
Cash and Investments, June 30	<u><u>\$ 0</u></u>

ELECTION ADMINISTRATION IMPROVEMENTS FUND

Receipts	\$ 61,051
Disbursements	<u>4,129,343</u>
Receipts Over (Under) Disbursements	<u>(4,068,292)</u>
Transfers In <sup>(2)</sup>	3,098,743
Transfers Out <sup>(1)</sup>	<u>(107,430)</u>
Receipts Over (Under) Disbursements and Transfers	<u>(1,076,979)</u>
Cash and Investments, July 1	<u>12,159,449</u>
Cash and Investments, June 30	<u><u>\$ 11,082,470</u></u>

ELECTION IMPROVEMENTS REVOLVING LOAN FUND

Receipts	\$ 41,346
Disbursements	<u>41,361</u>
Receipts Over (Under) Disbursements	<u>(15)</u>
Transfers In	0
Transfers Out	<u>0</u>
Receipts Over (Under) Disbursements and Transfers	<u>(15)</u>
Cash and Investments, July 1	<u>15</u>
Cash and Investments, June 30	<u><u>\$ 0</u></u>

FEDERAL FUNDS FUND

Receipts	\$ 3,165,013
Disbursements	<u>3,057,345</u>
Receipts Over (Under) Disbursements	<u>107,668</u>
Transfers In	0
Transfers Out <sup>(1)</sup>	<u>(106,223)</u>
Receipts Over (Under) Disbursements and Transfers	<u>1,445</u>
Cash and Investments, July 1	<u>29,712</u>
Cash and Investments, June 30	<u><u>\$ 31,157</u></u>

Appendix A

Office of Secretary of State  
 Combined Statement of Receipts, Disbursements, and Changes in Cash and Investments  
 Year Ended June 30, 2016

TECHNOLOGY TRUST FUND

Receipts	\$ 2,709,346
Disbursements	<u>2,582,033</u>
Receipts Over (Under) Disbursements	<u>127,313</u>
Transfers In <sup>(3)</sup>	3,769
Transfers Out <sup>(1)</sup>	<u>(152,307)</u>
Receipts Over (Under) Disbursements and Transfers	<u>(21,225)</u>
Cash and Investments, July 1	<u>4,205,225</u>
Cash and Investments, June 30 <sup>(4)</sup>	<u><u>\$ 4,184,000</u></u>

LOCAL RECORDS PRESERVATION FUND

Receipts	\$ 1,105,542
Disbursements	<u>644,004</u>
Receipts Over (Under) Disbursements	<u>461,538</u>
Transfers In	0
Transfers Out <sup>(1)</sup>	<u>(302,624)</u>
Receipts Over (Under) Disbursements and Transfers	<u>158,914</u>
Cash and Investments, July 1	<u>1,826,247</u>
Cash and Investments, June 30	<u><u>\$ 1,985,161</u></u>

STATE ELECTION SUBSIDY FUND

Receipts	\$ 273,895
Disbursements	<u>7,776,574</u>
Receipts Over (Under) Disbursements	<u>(7,502,679)</u>
Transfers In <sup>(3)</sup>	7,776,574
Transfers Out <sup>(2)</sup>	<u>(3,098,743)</u>
Receipts Over (Under) Disbursements and Transfers	<u>(2,824,848)</u>
Cash and Investments, July 1	<u>3,098,743</u>
Cash and Investments, June 30	<u><u>\$ 273,895</u></u>

INVESTOR RESTITUTION FUND

Receipts	\$ 153,333
Disbursements	<u>229,003</u>
Receipts Over (Under) Disbursements	<u>(75,670)</u>
Transfers In	0
Transfers Out	<u>0</u>
Receipts Over (Under) Disbursements and Transfers	<u>(75,670)</u>
Cash and Investments, July 1	<u>5,436,262</u>
Cash and Investments, June 30	<u><u>\$ 5,360,592</u></u>

Appendix A

Office of Secretary of State  
 Combined Statement of Receipts, Disbursements, and Changes in Cash and Investments  
 Year Ended June 30, 2016

MISSOURI STATE ARCHIVES-ST. LOUIS TRUST FUND

Receipts	\$	67
Disbursements		<u>0</u>
Receipts Over (Under) Disbursements		<u>67</u>
Transfers In		0
Transfers Out		<u>0</u>
Receipts Over (Under) Disbursements and Transfers		<u>67</u>
Cash and Investments, July 1		<u>2,360</u>
Cash and Investments, June 30	\$	<u><u>2,427</u></u>

LIBRARY NETWORKING FUND

Receipts	\$	834
Disbursements		<u>780,361</u>
Receipts Over (Under) Disbursements		<u>(779,527)</u>
Transfers In <sup>(3)</sup>		776,000
Transfers Out		<u>0</u>
Receipts Over (Under) Disbursements and Transfers		<u>(3,527)</u>
Cash and Investments, July 1		<u>15,397</u>
Cash and Investments, June 30	\$	<u><u>11,870</u></u>

INVESTOR EDUCATION AND PROTECTION FUND

Receipts	\$	473,088
Disbursements		<u>645,440</u>
Receipts Over (Under) Disbursements		<u>(172,352)</u>
Transfers In		0
Transfers Out <sup>(1)</sup>		<u>(192,439)</u>
Receipts Over (Under) Disbursements and Transfers		<u>(364,791)</u>
Cash and Investments, July 1		<u>2,252,574</u>
Cash and Investments, June 30	\$	<u><u>1,887,783</u></u>

STATE DOCUMENT PRESERVATION FUND

Receipts	\$	1,846
Disbursements		<u>0</u>
Receipts Over (Under) Disbursements		<u>1,846</u>
Transfers In		0
Transfers Out		<u>0</u>
Receipts Over (Under) Disbursements and Transfers		<u>1,846</u>
Cash and Investments, July 1		<u>7,041</u>
Cash and Investments, June 30	\$	<u><u>8,887</u></u>

Appendix A

Office of Secretary of State  
 Combined Statement of Receipts, Disbursements, and Changes in Cash and Investments  
 Year Ended June 30, 2016

WOLFNER LIBRARY TRUST FUND

Receipts	\$ 5,496
Disbursements	<u>18,127</u>
Receipts Over (Under) Disbursements	<u>(12,631)</u>
Transfers In	0
Transfers Out	<u>0</u>
Receipts Over (Under) Disbursements and Transfers	<u>(12,631)</u>
Cash and Investments, July 1	<u>773,850</u>
Cash and Investments, June 30	<u>\$ 761,219</u>
Total Cash and Investments, June 30, All Funds	<u>\$ 25,589,461</u>

(1) Transfers Out generally include payments for fringe benefits and the state's cost allocation plan.

(2) Transfers from the State Election Subsidy Fund to the Election Administration Improvements Fund.

(3) Transfers In include monies received from the General Revenue Fund (GRF) for election costs and library grants, and proceeds of surplus property.

(4) In July 2016, Office of Secretary of State personnel transferred \$79,512 from the GRF to the Technology Trust Fund (TTF) to correct Business Services Division fund allocation errors identified in the prior audit. In February 2017, office personnel identified similar allocation errors totaling \$7,915 for the period July 1, 2012 to June 30, 2015, and \$5,332 for the period July 1, 2015 to January 9, 2017. Corrections/transfers from the GRF to the TTF occurred in March 2017 for these errors.



Appendix B-1

Office of Secretary of State  
 Statement of Appropriations and Expenditures  
 Period July 1, 2016 to January 9, 2017

	Appropriation Authority	Expenditures	Encumbered	Uncommitted Appropriations
<b>GENERAL REVENUE FUND</b>				
Personal Service	\$ 7,603,512	3,437,997	371,748	3,793,767
Expense and Equipment	1,375,226	361,198	245,454	768,574
Elections Public Notice	2,600,000	2,341,601	0	258,399
Refunds of securities, corporations, uniform commercial code and miscellaneous collections	50,000	16,279	0	33,721
Remote Electronics Access for Libraries Program	2,750,000	500,000	0	2,250,000
Absentee Ballots	190,000	59,221	0	130,779
Aid to Public Libraries	2,723,776	611,888	0	2,111,888
Payment of real property leases, utilities, systems furniture, and structural modifications - Expense and Equipment	614,374	290,359	239,216	84,799
Operation of state-owned facilities, utilities, systems furniture, and structural modifications - Expense and Equipment	911,050	457,350	163,184	290,516
Total General Revenue Fund	<u>18,817,938</u>	<u>8,075,893</u>	<u>1,019,602</u>	<u>9,722,443</u>
<b>RECORDS-FEDERAL FUND</b>				
Re-Grant Program	50,000	4,636	5,421	39,943
Total Records-Federal Fund	<u>50,000</u>	<u>4,636</u>	<u>5,421</u>	<u>39,943</u>
<b>ELECTION ADMINISTRATION IMPROVEMENTS FUND</b>				
Personal Service	278,713	114,324	23,671	140,718
Expense and Equipment	5,229,232	902,560	1,953,676	2,372,996
Federal Election Reform	3,737,263	1,059,602	810,863	1,866,798
Total Election Administration Improvements Fund	<u>9,245,208</u>	<u>2,076,486</u>	<u>2,788,210</u>	<u>4,380,512</u>
<b>ELECTION IMPROVEMENTS REVOLVING LOAN FUND</b>				
Federal Election Reform	50,000	0	0	50,000
Total Election Improvements Revolving Loan Fund	<u>50,000</u>	<u>0</u>	<u>0</u>	<u>50,000</u>
<b>FEDERAL AND OTHER FUND</b>				
Grants and Projects	200,000	0	0	200,000
Total Federal and Other Fund	<u>200,000</u>	<u>0</u>	<u>0</u>	<u>200,000</u>
<b>FEDERAL FUNDS FUND</b>				
Personal Service	254,066	110,745	10,028	133,293
Expense and Equipment	227,574	41,617	26,938	159,019
Allotments, grants, and contributions from the Federal Government or from any sources that may be deposited in the State Treasury for the use of the Missouri State Library	4,125,000	1,942,557	764,394	1,418,049
Total Federal Funds Fund	<u>4,606,640</u>	<u>2,094,919</u>	<u>801,360</u>	<u>1,710,361</u>

Appendix B-1

Office of Secretary of State  
 Statement of Appropriations and Expenditures  
 Period July 1, 2016 to January 9, 2017

	Appropriation Authority	Expenditures	Encumbered	Uncommitted Appropriations
<b>TECHNOLOGY TRUST FUND</b>				
Personal Service	376,017	162,807	15,662	197,548
Expense and Equipment	2,411,180	644,485	109,432	1,657,263
Operation of state-owned facilities, utilities, systems furniture, and structural modifications - Expense and Equipment	6,280	3,156	1,126	1,998
Total Technology Trust Fund	2,793,477	810,448	126,220	1,856,809
<b>LOCAL RECORDS PRESERVATION FUND</b>				
Personal Service	1,030,039	358,991	31,908	639,140
Expense and Equipment	319,969	70,936	13,370	235,663
Local Records Preservation Grants	400,000	17,763	0	382,237
Payment of real property leases, utilities, systems furniture, and structural modifications - Expense and Equipment	1,866	993	833	40
Operation of state-owned facilities, utilities, systems furniture, and structural modifications - Expense and Equipment	5,097	2,559	913	1,625
Total Local Records Preservation Fund	1,756,971	451,242	47,024	1,258,705
<b>STATE ELECTION SUBSIDY FUND</b>				
Special Election Costs <sup>(1)</sup>	400,000	400,000	0	0
Total State Election Subsidy Fund	400,000	400,000	0	0
<b>INVESTOR RESTITUTION FUND</b>				
Investor Restitution	2,000,000	102,446	0	1,897,554
Total Investor Restitution Fund	2,000,000	102,446	0	1,897,554
<b>MISSOURI STATE ARCHIVES-ST LOUIS TRUST FUND</b>				
Document Preservation	1	0	0	1
Total Missouri State Archives-St Louis Trust Fund	1	0	0	1
<b>LIBRARY NETWORKING FUND</b>				
Library Networking Grants	1,110,000	444,012	0	665,988
Total Library Networking Fund	1,110,000	444,012	0	665,988
<b>INVESTOR EDUCATION AND PROTECTION FUND</b>				
Personal Service	795,242	332,541	37,739	424,962
Expense and Equipment	947,964	65,633	54,413	827,918
Operation of state-owned facilities, utilities, systems furniture, and structural modifications - Expense and Equipment	13,291	6,675	2,382	4,234
Total Investor Education and Protection Fund	1,756,497	404,849	94,534	1,257,114
<b>STATE DOCUMENT PRESERVATION FUND</b>				
Expense and Equipment	25,000	4,290	1,727	18,983
Total State Document Preservation Fund	25,000	4,290	1,727	18,983

Appendix B-1

Office of Secretary of State  
 Statement of Appropriations and Expenditures  
 Period July 1, 2016 to January 9, 2017

	Appropriation Authority	Expenditures	Encumbered	Uncommitted Appropriations
<b>WOLFNER LIBRARY TRUST FUND</b>				
Expense and Equipment	30,000	7,529	10,043	12,428
Total Wolfner Library Trust Fund	<u>30,000</u>	<u>7,529</u>	<u>10,043</u>	<u>12,428</u>
Total All Funds	<u>\$ 42,841,732</u>	<u>14,876,750</u>	<u>4,894,141</u>	<u>23,070,841</u>

The uncommitted appropriations include the following withholdings made at the Governor's request:

	Period Ended January 9, 2017
<b>General Revenue Fund</b>	
Remote Electronics Access for Libraries Program	\$ 750,000
Aid to Public Libraries	1,500,000
Payment of real property leases, utilities, systems furniture, and structural modifications - Expense and Equipment	18,431
Operation of state-owned facilities, utilities, systems furniture, and structural modifications - Expense and Equipment	<u>27,332</u>
Total General Revenue Fund	<u>2,295,763</u>
<b>Library Networking Fund</b>	
Library Networking Grants	<u>105,000</u>
Total Library Networking Fund	<u>105,000</u>
Total All Funds	<u>\$ 2,400,763</u>

<sup>(1)</sup> The Office of Secretary of State determined three October 2016 special election cost reimbursements totaling \$26,240 should not have been paid; and in March 2017, requested reimbursement from the applicable local election authorities. In addition, special election cost reimbursement requests totaling \$164,744 were not paid with fiscal year 2016 or 2017 appropriations and a special election cost reimbursement of \$88,139 was not paid with fiscal year 2017 appropriations because the appropriations were fully spent. The Office of Secretary of State requested and received a fiscal year 2017 supplemental appropriation to pay these reimbursements.

Appendix B-2

Office of Secretary of State  
 Statement of Appropriations and Expenditures  
 Year Ended June 30, 2016

	Appropriation Authority	Expenditures	Lapsed Balances
<b>GENERAL REVENUE FUND</b>			
Personal Service	\$ 7,511,529	7,509,334	2,195
Expense and Equipment	1,458,509	1,413,519	44,990
Elections Public Notice	100,000	0	100,000
Refunds of securities, corporations, uniform commercial code and miscellaneous collections	50,000	38,170	11,830
Remote Electronics Access for Libraries Program	2,000,000	2,000,000	0
Absentee Ballots	50,000	49,990	10
Aid to Public Libraries	723,776	723,776	0
Payment of real property leases, utilities, systems furniture, and structural modifications - Expense and Equipment	578,032	522,647	55,385
Operation of state-owned facilities, utilities, systems furniture, and structural modifications - Expense and Equipment	934,368	906,337	28,031
Total General Revenue Fund	<u>13,406,214</u>	<u>13,163,773</u>	<u>242,441</u>
<b>RECORDS-FEDERAL FUND</b>			
Re-Grant Program	50,000	43,615	6,385
Total Records-Federal Fund	<u>50,000</u>	<u>43,615</u>	<u>6,385</u>
<b>ELECTION ADMINISTRATION IMPROVEMENTS FUND</b>			
Personal Service	273,249	241,723	31,526
Expense and Equipment	3,737,263	2,598,832	1,138,431
Federal Election Reform	5,229,232	1,288,789	3,940,443
Total Election Administration Improvements Fund	<u>9,239,744</u>	<u>4,129,344</u>	<u>5,110,400</u>
<b>ELECTION IMPROVEMENTS REVOLVING LOAN FUND</b>			
Federal Election Reform	50,000	41,361	8,639
Total Election Improvements Revolving Loan Fund	<u>50,000</u>	<u>41,361</u>	<u>8,639</u>
<b>FEDERAL AND OTHER FUND</b>			
Grants and Projects	200,000	0	200,000
Total Federal and Other Fund	<u>200,000</u>	<u>0</u>	<u>200,000</u>
<b>FEDERAL FUNDS FUND</b>			
Personal Service	249,085	197,573	51,512
Expense and Equipment	227,574	73,740	153,834
Allotments, grants, and contributions from the Federal Government or from any sources that may be deposited in the State Treasury for the use of the Missouri State Library	4,125,000	2,786,032	1,338,968
Total Federal Funds Fund	<u>4,601,659</u>	<u>3,057,345</u>	<u>1,544,314</u>

Appendix B-2

Office of Secretary of State  
 Statement of Appropriations and Expenditures  
 Year Ended June 30, 2016

	Appropriation Authority	Expenditures	Lapsed Balances
<b>TECHNOLOGY TRUST FUND</b>			
Personal Service	368,644	308,596	60,048
Expense and Equipment	2,411,180	2,266,911	144,269
Operation of state-owned facilities, utilities, systems furniture, and structural modifications - Expense and Equipment	6,526	6,526	0
Total Technology Trust Fund	<u>2,786,350</u>	<u>2,582,033</u>	<u>204,317</u>
<b>LOCAL RECORDS PRESERVATION FUND</b>			
Personal Service	1,009,843	595,433	414,410
Expense and Equipment	319,969	40,890	279,079
Local Records Preservation Grants	400,000	0	400,000
Payment of real property leases, utilities, systems furniture, and structural modifications - Expense and Equipment	1,974	1,974	0
Operation of state-owned facilities, utilities, systems furniture, and structural modifications - Expense and Equipment	17,026	5,707	11,319
Total Local Records Preservation Fund	<u>1,748,812</u>	<u>644,004</u>	<u>1,104,808</u>
<b>STATE ELECTION SUBSIDY FUND</b>			
Special Election Costs <sup>(1)</sup>	7,776,574	7,776,574	0
Total State Election Subsidy Fund	<u>7,776,574</u>	<u>7,776,574</u>	<u>0</u>
<b>INVESTOR RESTITUTION FUND</b>			
Investor Restitution	2,000,000	229,002	1,770,998
Total Investor Restitution Fund	<u>2,000,000</u>	<u>229,002</u>	<u>1,770,998</u>
<b>MISSOURI STATE ARCHIVES-ST. LOUIS TRUST FUND</b>			
Document Preservation	1	0	1
Total Missouri State Archives-St. Louis Trust Fund	<u>1</u>	<u>0</u>	<u>1</u>
<b>LIBRARY NETWORKING FUND</b>			
Library Networking Grants	900,000	780,361	119,639
Total Library Networking Fund	<u>900,000</u>	<u>780,361</u>	<u>119,639</u>
<b>INVESTOR EDUCATION AND PROTECTION FUND</b>			
Personal Service	779,649	422,917	356,732
Expense and Equipment	947,964	209,643	738,321
Operation of state-owned facilities, utilities, systems furniture, and structural modifications - Expense and Equipment	12,881	12,881	0
Total Investor Education and Protection Fund	<u>1,740,494</u>	<u>645,441</u>	<u>1,095,053</u>
<b>STATE DOCUMENT PRESERVATION FUND</b>			
Expense and Equipment	25,000	0	25,000
Total State Document Preservation Fund	<u>25,000</u>	<u>0</u>	<u>25,000</u>

Appendix B-2

Office of Secretary of State  
 Statement of Appropriations and Expenditures  
 Year Ended June 30, 2016

	Appropriation Authority	Expenditures	Lapsed Balances
<b>WOLFNER LIBRARY TRUST FUND</b>			
Expense and Equipment	30,000	18,126	11,874
Total Wolfner Library Trust Fund	<u>30,000</u>	<u>18,126</u>	<u>11,874</u>
Total All Funds	<u>\$ 44,554,848</u>	<u>33,110,979</u>	<u>11,443,869</u>

The lapsed balances include the following withholdings made at the Governor's request:

	<u>Year Ended June 30, 2016</u>
<b>General Revenue Fund</b>	
Payment of real property leases, utilities, systems furniture, and structural modifications - Expense and Equipment	\$ 17,341
Operation of state-owned facilities, utilities, systems furniture, and structural modifications - Expense and Equipment	<u>28,031</u>
Total General Revenue Fund	<u>\$ 45,372</u>

<sup>(1)</sup> Special election cost reimbursement requests, totaling \$164,744, were not paid with fiscal year 2016 or 2017 appropriations because the appropriations were fully spent. The Office of Secretary of State requested and received a fiscal year 2017 supplemental appropriation to pay these reimbursements.

Appendix C

Office of Secretary of State  
 Comparative Statement of Expenditures (From Appropriations)

	Year Ended June 30,				
	2016	2015	2014	2013	2012
Salaries and wages	\$ 9,275,576	9,215,584	8,868,489	9,214,920	8,974,013
Travel, in-state	40,834	60,946	68,351	88,198	95,257
Travel, out-of-state	17,278	22,529	19,781	21,751	14,784
Fuel and utilities	77,050	77,106	80,734	76,826	78,453
Supplies	649,630	624,516	730,727	889,299	957,527
Professional development	98,030	104,980	109,871	116,077	116,251
Communication service and supplies	295,220	270,417	249,946	277,515	365,934
Services:					
Professional	3,419,352	5,760,859	5,119,101	7,218,068	7,720,888
Housekeeping and janitorial	14,626	14,026	13,776	14,925	14,492
Maintenance and repair	3,288,432	2,595,384	2,318,932	2,572,342	1,707,583
Equipment:					
Computer	534,547	644,478	222,649	496,919	1,810,581
Motorized	67,074	28,049	11,220	20,645	57,718
Office	15,580	42,416	102,186	103,685	53,698
Other	199,826	113,193	28,414	57,802	38,240
Property and improvements	39,409	0	11,372	7,478	220
Building lease payments	1,400,330	1,478,655	1,607,575	1,544,604	1,542,683
Equipment rental and leases	2,774	3,184	6,997	5,302	24,392
Miscellaneous expenses	9,737	12,643	12,176	23,298	28,659
Refunds	38,170	31,030	43,876	237,139	66,108
Program distributions	13,627,504	9,860,985	8,327,673	10,840,224	16,564,007
Total Expenditures	\$ <u>33,110,979</u>	<u>30,960,980</u>	<u>27,953,846</u>	<u>33,827,017</u>	<u>40,231,488</u>