



STATE OF ILLINOIS
**OFFICE OF THE
 AUDITOR GENERAL**

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

OFFICE OF THE SECRETARY OF STATE

Compliance Examination
 For the Two Years Ended June 30, 2021

Release Date: June 8, 2022

FINDINGS THIS AUDIT: 16				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	2	2	2020	21-2		
Category 2:	9	5	14	2019		21-4, 21-7, 21-8, 21-10	
Category 3:	<u>0</u>	<u>0</u>	<u>0</u>	2016	21-1		
TOTAL	9	7	16	2013		21-13	
FINDINGS LAST AUDIT: 12							

INTRODUCTION

This digest covers the Office of the Secretary of State’s (Office) compliance examination for the two years ended June 30, 2021. A separate audit of the Office’s financial statements was previously released on June 1, 2022. In total, this report contains 16 findings, three of which were reported within the Secretary of State’s financial audit report.

SYNOPSIS

- (21-4) The Office lacked formal written policies for the implementation of the Election Code.
- (21-7) The Office had weaknesses related to property and equipment.

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
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2021**

EXPENDITURE STATISTICS	2021	2020	2019
Total Expenditures (All Funds).....	\$ 514,916,796	\$ 457,357,535	\$ 487,296,577
OPERATIONS TOTAL.....	\$ 325,371,296	\$ 312,592,794	\$ 312,740,996
% of Total Expenditures.....	63.2%	68.3%	64.2%
Personal Services.....	190,208,200	188,788,225	179,532,611
Other Payroll Costs (FICA, Retirement).....	26,510,423	26,390,272	25,604,813
All Other Operating Expenditures.....	108,652,673	97,414,297	107,603,572
AWARDS AND GRANTS.....	\$ 180,845,436	\$ 136,328,181	\$ 165,261,116
% of Total Expenditures.....	35.1%	29.8%	33.9%
PERMANENT IMPROVEMENTS.....	\$ 5,882,892	\$ 6,164,902	\$ 5,019,567
% of Total Expenditures.....	1.1%	1.3%	1.0%
REFUNDS.....	\$ 2,817,172	\$ 2,271,658	\$ 4,274,898
% of Total Expenditures.....	0.5%	0.5%	0.9%
Average Number of Employees.....	3,645	3,603	3,430

AGENCY DIRECTOR

During Examination Period and Currently: Honorable Jesse White

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

NONCOMPLIANCE WITH THE ELECTION CODE

The Office lacked formal written policies for the implementation of the Election Code (10 ILCS 5/1A-16.7(k)) (Code).

No specific policies and procedures established

While the Office does require employees to adhere to certain procedural standards, including the Driver's Privacy Protection Act, 18 USC § 2721, within its policy manual, the Office has not established specific policies and procedures to protect the privacy and security of voter information as required by the Code. (Finding 4, page 18)

We recommended the Office formally implement policies and procedures to protect the privacy and security of voter information as it is acquired, stored, and transmitted among agencies, including the retention and preservation of voter information.

Office accepted recommendation

Office officials accepted the recommendation and stated the Office implemented new policies and procedures in Mary 2022.

WEAKNESSES RELATED TO PROPERTY AND EQUIPMENT

The Office did not demonstrate adequate control over property and equipment during the engagement period. Specific deficiencies noted as a result of our testing are described below:

Leases were understated

- During our testing of the Office's preparation of the Agency Report of State Property (C-15), we noted errors in one of eight (13%) quarters tested. Capital leases reported on the Office's C-15 for the third quarter of Fiscal Year 2020 of \$2,887,604 did not agree to the Office's property records, which were \$2,904,486. As a result, the Office's C-15s were understated by a total of \$16,882.

Items not timely added to property records

- Fourteen of forty (35%) items of property and equipment tested were not added to property acquisition records in a timely manner as required by the Illinois Administrative Code (44 Ill. Adm. Code 5010.400). The assets were added one to 325 days late. (Finding 7, pages 21-22)

We recommended the Office implement controls and procedures to ensure its property and equipment is reported

and accounted for in a timely manner which complies with State statute and the Illinois Administrative Code.

Office accepted recommendation

Office officials accepted the recommendation and stated the Office will continue to evaluate, review and monitor its compliance with mandated property control requirements.

OTHER FINDINGS

The remaining compliance findings pertain to weaknesses in determination of cash on hand and cash in transit amounts, inadequate controls over census data, change management, noncompliance with various statutory mandates, inaccurate Agency Fee Imposition Reports, performance evaluations, and weaknesses related to service providers, access control, Payment Card Industry Data Security Standards, cybersecurity programs and practices, disaster recovery plan, and computing environment. We will review the Office's progress towards the implementation of our recommendations in our next compliance examination.

ACCOUNTANT'S OPINION

The accountants conducted a compliance examination of the Office for the two years ended June 30, 2021, as required by the Illinois State Auditing Act. The accountants qualified their report on State compliance for Findings 2021-001 and 2021-002. Except for the noncompliance described in those findings, the accountants stated the Office complied, in all material respects, with the requirements described in the report.

This compliance examination 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

FRANK J. MAUTINO
Auditor General

FJM:sdw