



**STATE OF ILLINOIS  
OFFICE OF THE SECRETARY OF STATE**

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COMPLIANCE EXAMINATION

For the Two Years Ended June 30, 2021

Performed as Special Assistant Auditors  
For the Auditor General, State of Illinois



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STATE OF ILLINOIS  
**OFFICE OF THE SECRETARY OF STATE**  
 STATE COMPLIANCE EXAMINATION  
 For the Two Years Ended June 30, 2021

**TABLE OF CONTENTS**

	<b><u>Page(s)</u></b>
<b><i>State Compliance Examination Report</i></b>	
Agency Officials .....	1
Management Assertion Letter .....	2-3
State Compliance Report	
Summary .....	4-7
Independent Accountant’s Report on State Compliance and on Internal Control Over Compliance.....	8-10
Schedule of Findings	
Current Findings.....	11-39
Prior Finding Not Repeated.....	40-41
<b><i>Disclosures Accompanying a State Compliance Examination Report</i></b>	
Summary .....	42
Independent Accountant’s Report on Disclosures Accompanying a State Compliance Examination Report.....	43-44
Fiscal Schedules and Analysis:	
Comparative Schedule of Net Expenditures by Major Activity.....	45
Schedule of Locally Held Fund Receipts and Disbursements .....	46
Analysis of Operations:	
Number of Employees.....	47
Disclosure of Emergency Purchases .....	48
Analysis of Overtime and Compensatory Time .....	49

STATE OF ILLINOIS  
**OFFICE OF THE SECRETARY OF STATE**  
COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2021

**AGENCY OFFICIALS**

Secretary of State	The Honorable Jesse White
Deputy Secretary of State/ Chief of Staff	Mr. Thomas N. Benigno
Director of Internal Audit	Ms. Stell Mallios
General Counsel	Ms. Irene Lyons
Inspector General (7/1/19 – 12/11/20)	Mr. James Burns
Inspector General (12/12/20 – 1/5/21)	Vacant
Inspector General (interim) (1/6/21 – present)	Mr. Paul Thompson
Director of Budget and Fiscal Management/Chief Fiscal Officer	Ms. Jacqueline Price
Director of Accounting Revenue	Mr. John Grzyski

AGENCY OFFICES

The Agency's primary administrative offices are located at:

Howlett Building  
501 S 2nd St.  
Springfield, Illinois 62756

Capitol Building  
401 S. 2nd St., Room 213  
Springfield, Illinois 62701

100 W. Randolph St., Suite 5-400  
Chicago, Illinois 60601



# OFFICE OF THE SECRETARY OF STATE

JESSE WHITE • Secretary of State

## MANAGEMENT ASSERTION LETTER - STATE COMPLIANCE EXAMINATION

### MANAGEMENT ASSERTION LETTER

May 5, 2022

Sikich LLP  
3201 West White Oaks Dr. Suite 102  
Springfield, IL 62704

Ladies and Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the State of Illinois, Office of Secretary of State (Office). We are responsible for and we have established and maintained an effective system of internal controls over compliance requirements. We have performed an evaluation of the Office's compliance with the following specified requirements during the two-year period ended June 30, 2021. Based on this evaluation, we assert that during the years ended June 30, 2020 and June 30, 2021, the Office has materially complied with the following specified requirements below.

- A. The Office has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The Office has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions, or mandatory directions imposed by law upon such obligation, expenditure, receipt, or use.
- C. The Office has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. State revenues and receipts collected by Office are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate, and in accordance with law.
- E. Money or negotiable securities or similar assets handled by the Office on behalf of the State or held in trust by the Office have been properly and legally administered, and the

F. accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Yours truly,

State of Illinois, Office of Secretary of State

**SIGNED ORIGINAL ON FILE**

Jesse White, Secretary of State

**SIGNED ORIGINAL ON FILE**

Jacqueline P. Pritz, Director, Budget and Fiscal Management/Chief Fiscal Officer

**SIGNED ORIGINAL ON FILE**

Irene Lyons, General Counsel

STATE OF ILLINOIS  
**OFFICE OF THE SECRETARY OF STATE**  
 STATE COMPLIANCE EXAMINATION  
 For the Two Years Ended June 30, 2021

**STATE COMPLIANCE REPORT**

**SUMMARY**

The State compliance testing performed during this examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the *Audit Guide*.

**ACCOUNTANT'S REPORT**

The Independent Accountant's Report on State Compliance and on Internal Control Over Compliance does not contain scope limitations or disclaimers, but does contain a modified opinion on compliance and identifies material weaknesses over internal control over compliance.

**SUMMARY OF FINDINGS**

<b>Number of</b>	<b><u>Current Report</u></b>	<b><u>Prior Report</u></b>
Findings	16	12
Repeated findings	7	2
Prior recommendations implemented or not repeated	5	2

**SCHEDULE OF FINDINGS**

<b><u>Item No.</u></b>	<b><u>Page</u></b>	<b><u>Last/First Reported</u></b>	<b><u>Description</u></b>	<b><u>Finding Type</u></b>
<b>Current Findings</b>				
2021-001	11	2020/ 2016	Weaknesses in Determination of Cash On Hand and Cash In Transit Amounts Reported in the Financial Statements	Material Weakness and Noncompliance
2021-002	13	2020/ 2020	Inadequate Internal Controls over Census Data	Material Weakness and Noncompliance
2021-003	16	NEW	Inadequate Controls over Change Management	Noncompliance and Significant Deficiency
2021-004	18	2019/ 2019	Noncompliance with the Election Code	Noncompliance and Significant Deficiency

STATE OF ILLINOIS  
**OFFICE OF THE SECRETARY OF STATE**  
 STATE COMPLIANCE EXAMINATION  
 For the Two Years Ended June 30, 2021

**SCHEDULE OF FINDINGS (Continued)**

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
<b>Current Findings</b>				
2021-005	19	NEW	Noncompliance with Secretary of State Act	Noncompliance and Significant Deficiency
2021-006	20	NEW	Noncompliance with the State Library Act	Noncompliance and Significant Deficiency
2021-007	21	2019/ 2019	Weaknesses Related to Property and Equipment	Noncompliance and Significant Deficiency
2021-008	23	2019/ 2019	Inaccurate Agency Fee Imposition Reports	Noncompliance and Significant Deficiency
2021-009	25	NEW	Failure to Timely Administer Performance Evaluations	Noncompliance and Significant Deficiency
2021-010	27	2019/ 2019	Lack of Adequate Controls Over the Review of Internal Controls over Service Providers	Noncompliance and Significant Deficiency
2021-011	29	NEW	Access Control Weaknesses	Noncompliance and Significant Deficiency
2021-012	31	NEW	Noncompliance with the Fiscal Control and Internal Auditing Act	Noncompliance and Significant Deficiency
2021-013	32	2019/ 2013	Weaknesses with Payment Card Industry Data Security Standards	Noncompliance and Significant Deficiency
2021-014	34	NEW	Weaknesses in Cybersecurity Programs and Practices	Noncompliance and Significant Deficiency
2021-015	36	NEW	Disaster Recovery Plan Weaknesses	Noncompliance and Significant Deficiency
2021-016	38	NEW	Computing Environment Weaknesses	Noncompliance and Significant Deficiency

STATE OF ILLINOIS  
**OFFICE OF THE SECRETARY OF STATE**  
 STATE COMPLIANCE EXAMINATION  
 For the Two Years Ended June 30, 2021

**SCHEDULE OF FINDINGS (Continued)**

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
<b>Prior Findings Not Repeated</b>				
A	40	2020/ 2020	Failure to Adjust License and Fee Revenues	
B	40	2019/ 2019	Noncompliance with the Illinois Identification Card Act	
C	40	2019/ 2019	Noncompliance with Various Statutory Mandates	
D	40	2019/ 2019	Weaknesses in Performing Reconciliations	
E	41	2019/ 2019	Weaknesses in Locally Held Funds	

**EXIT CONFERENCE**

The findings and recommendations appearing in this report were discussed with Office personnel at an exit conference on April 25, 2022.

Attending were:

Office of the Secretary of State

Jaqueline M. Price, Budget and Fiscal Management Director /Chief Fiscal Officer  
 Amanda Trimmer, Budget and Fiscal Management Chief Deputy Director  
 Doug Barringer, GAAP Coordinator  
 Steve Roth, Personnel Director  
 Stell Mallios, Chief Internal Auditor  
 John Grzymiski, Accounting Revenue Director  
 Chris Longo, Internal Audit  
 Mike Standley, Information Technology Director  
 David Addis, Internal Audit  
 Adam Ausmus, Chief Deputy Director, Accounting Revenue

STATE OF ILLINOIS  
**OFFICE OF THE SECRETARY OF STATE**  
STATE COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2021

**EXIT CONFERENCE (Continued)**

Office of the Auditor General  
Stephine Wildhaber, Senior Audit Manager  
Reddy Bommareddi, IS Audit Manager

Sikich LLP  
Amy Sherwood, Partner  
Danielle Caldwell, Senior Manager

The responses to the recommendations were provided by Amanda Trimmer, Chief Deputy Director, in a correspondence dated April 29, 2022.

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Springfield, IL 62704  
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## **INDEPENDENT ACCOUNTANT’S REPORT ON STATE COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE**

Honorable Frank J. Mautino  
Auditor General  
State of Illinois

### **Report on State Compliance**

As Special Assistant Auditors for the Auditor General, we have examined compliance by the State of Illinois, Office of the Secretary of State (Office) with the specified requirements listed below, as more fully described in the *Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide)* as adopted by the Auditor General, during the two years ended June 30, 2021. Management of the Office is responsible for compliance with the specified requirements. Our responsibility is to express an opinion on the Office’s compliance with the specified requirements based on our examination.

The specified requirements are:

- A. The Office has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The Office has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
- C. The Office has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. State revenues and receipts collected by the Office are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.

- E. Money or negotiable securities or similar assets handled by the Office on behalf of the State or held in trust by the Office have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Illinois State Auditing Act (Act), and the *Audit Guide*. Those standards, the Act, and the *Audit Guide* require that we plan and perform the examination to obtain reasonable assurance about whether the Office complied with the specified requirements in all material respects. An examination involves performing procedures to obtain evidence about whether the Office complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance with the specified requirements, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our modified opinion.

Our examination does not provide a legal determination on the Office's compliance with the specified requirements.

Our examination disclosed material noncompliance with the following specified requirements applicable to the Office during the two years ended June 30, 2021. As described in the accompanying Schedule of Findings as items 2021-001 and 2021-002, the Office had not complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

In our opinion, except for the material noncompliance with the specified requirements described in the preceding paragraph, the Office complied with the specified requirements during the two years ended June 30, 2021, in all material respects. However, the results of our procedures disclosed other instances of noncompliance with the specified requirements, which are required to be reported in accordance with criteria established by the *Audit Guide* and are described in the accompanying Schedule of Findings as items 2021-003 through 2021-016.

The Office's responses to the compliance findings identified in our examination are described in the accompanying Schedule of Findings. The Office's responses were not subjected to the procedures applied in the examination and, accordingly, we express no opinion on them.

The purpose of this report is solely to describe the scope of our testing and the results of that testing in accordance with the requirements of the *Audit Guide*. Accordingly, this report is not suitable for any other purpose.

## Report on Internal Control Over Compliance

Management of the Office is responsible for establishing and maintaining effective internal control over compliance with the specified requirements (internal control). In planning and performing our examination, we considered the Office's internal control to determine the examination procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Office's compliance with the specified requirements and to test and report on the Office's internal control in accordance with the *Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of the Office's internal control. Accordingly, we do not express an opinion on the effectiveness of the Office's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings, we did identify certain deficiencies in internal control that we consider to be a material weakness and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the specified requirements on a timely basis. A material weakness in internal control is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material noncompliance with the specified requirements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as items 2021-001 and 2021-002 to be material weaknesses.

A significant deficiency in internal control is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items 2021-003 through 2021-016 to be significant deficiencies.

As required by the *Audit Guide*, immaterial findings excluded from this report have been reported in a separate letter.

The Office's responses to the internal control findings identified in our examination are described in the accompanying Schedule of Findings. The Office's responses were not subjected to the procedures applied in the examination and, accordingly, we express no opinion on the responses.

The purpose of this report is solely to describe the scope of our testing of internal control and the results of that testing based on the requirements of the *Audit Guide*. Accordingly, this report is not suitable for any other purpose.

**SIGNED ORIGINAL ON FILE**

Springfield, Illinois  
May 5, 2022

STATE OF ILLINOIS  
**OFFICE OF THE SECRETARY OF STATE**  
SCHEDULE OF FINDINGS  
For the Two Years Ended June 30, 2021

2021-001 **FINDING** (Weaknesses in Determination of Cash On Hand and Cash In Transit Amounts Reported in the Financial Statements)

The Office of the Secretary of State (Office) used incorrect queries to determine the adjustment to record cash on hand and cash in transit at fiscal year-end. The Office also mistakenly included receipts from July 2021 in receipts deposited in the Illinois State Treasurer's clearing accounts at the end of June 2021.

During the testing over the cash on hand and cash in transit balances reported in the General Revenue Fund (Fund 0001) and the Road Fund (Fund 0011), auditors noted the following errors in the calculation:

- The spreadsheet used to calculate total cash on hand and cash in transit for the General Revenue Fund and Road Fund excluded deposits from June 28-30, 2021 and improperly included July 2021 receipts from the queries used to determine June receipts not yet deposited into the Treasurer's Clearing Accounts at June 30, 2021. This resulted in a \$3.5 million understatement in the General Revenue Fund and a \$47.2 million understatement in the Road Fund.
- The June deposits included in the cash on hand and cash in transit calculations that were held in the Illinois State Treasurer clearing accounts but not yet remitted to the Illinois Office of the Comptroller excluded deposits from June 28-30, 2021 and improperly included July 2021 receipts from the queries used to determine June receipts not yet deposited into the Treasurer's Clearing Accounts at June 30, 2021. This resulted in a \$1.6 million overstatement in the General Revenue Fund, and a \$41.0 million overstatement in the Road Fund.

Total misstatements noted for the fiscal year ending June 30, 2021 related to the above errors were as follows:

- Understatement of cash of \$1.9 million, understatement of licenses and fee revenue of \$400 thousand, and understatement of other tax revenue of \$1.5 million in the General Revenue Fund.
- Understatement of cash of \$6.2 million and understatement of licenses and fee revenue of \$6.2 million in the Road Fund.

These misstatements were not considered material by the Office and no adjustments were made to the financial statements.

In the previous audit, the Office had errors in the Capital Projects Fund and State Construction Account Fund that required an adjustment due to incorrect cash on hand and cash in transit calculations. We did not note errors in these funds during the current audit.

STATE OF ILLINOIS  
**OFFICE OF THE SECRETARY OF STATE**  
SCHEDULE OF FINDINGS  
For the Two Years Ended June 30, 2021

2021-001 **FINDING** (Weaknesses in Determination of Cash On Hand and Cash In Transit Amounts Reported in the Financial Statements) (Continued)

This weakness was originally noted during the audit of the year ended June 30, 2016. In the subsequent audits, the Office has not successfully implemented the necessary corrective action to fully rectify this weakness.

In accordance with generally accepted accounting principles (GAAP), all assets, liabilities, revenues, and expenses should be accurately measured and recorded. Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, requires fund financial statements to be prepared using the current financial resources measurement focus and the modified accrual basis of accounting whereby revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls to ensure State’s resources are used efficiently and effectively.

Office management indicated human error and the reliance on tedious and manually intensive processes resulted in the errors noted.

Failure to properly review and update calculations used for year-end adjustments could result in inaccurate reporting on the Office’s financial statements. (Finding Code No. 2021-001, 2020-001, 2019-001, 2018-001, 2017-001, 2016-001)

**RECOMMENDATION**

We recommend 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 RESPONSE**

The Office agrees with the recommendation. The Office is strengthening its preparation and review process over the year-end cash on hand and cash in transit calculations and queries as it is committed to correcting this issue.

STATE OF ILLINOIS  
**OFFICE OF THE SECRETARY OF STATE**  
SCHEDULE OF FINDINGS  
For the Two Years Ended June 30, 2021

2021-002 **FINDING** (Inadequate Internal Controls over Census Data)

The Office of the Secretary of State (Office) did not develop or retain adequate supporting documentation for its personnel transactions and did not have a reconciliation process to provide assurance census data submitted to its pension and other postemployment benefits (OPEB) plans was complete and accurate.

Census data is demographic data (date of birth, gender, years of service, etc.) of the active, inactive, or retired members of a pension or 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 valuation (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 plan's 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.

We noted the Office's employees are members of both the State Employees' Retirement System of Illinois (SERS) for their pensions and the State Employees Group Insurance Program sponsored by the State of Illinois, Department of Central Management Services (CMS) for their 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. Finally, we noted CMS' actuaries use SERS' census data records to prepare the OPEB actuarial valuation.

During testing, we noted the following:

- 1) The Office had not performed an initial complete reconciliation of its census data recorded by SERS to its internal records to establish a base year of complete and accurate census data.
- 2) After establishing a base year, the Office had not developed a process to annually obtain from SERS the incremental changes recorded by SERS in their census data records and reconcile these changes back to the Office's internal supporting records.
- 3) For one of 120 (1%) employees tested, their gender listed per the supporting documentation in their payroll file did not match the gender listed in their data on the SERS payroll transaction report for Fiscal Year 2019. When made aware of the error, the Office corrected it and notified SERS of the change that needed to be made.

STATE OF ILLINOIS  
OFFICE OF THE SECRETARY OF STATE  
SCHEDULE OF FINDINGS  
For the Two Years Ended June 30, 2021

2021-002 **FINDING** (Inadequate Internal Controls over Census Data) (Continued)

For employers participating in plans with multiple-employer and cost-sharing characteristics, the American Institute of Certified Public Accountants' *Audit and Accounting Guide: State and Local Governments* (AAG-SLG) (§ 13.177 for pensions and § 14.184 for OPEB) notes the determination of net pension/OPEB liability, pension/OPEB expense, and the associated deferred inflows and deferred outflows of resources depends on employer-provided census data reported to the plan being complete and accurate along with the accumulation and maintenance of this data by the plan being complete and accurate. To help mitigate against the risk of a plan's actuary using incomplete or inaccurate census data within similar agent multiple-employer plans, the AAG-SLG (§ 13.181 (A-27) for pensions and § 14.141 for OPEB) recommends an employer annually reconcile its active members' census data to a report from the plan of census data submitted to the plan's actuary, by comparing the current year's census data file to both the prior year's census data file and its underlying records for changes occurring during the current year.

Further, the State Records Act (5 ILCS 160/8) requires the Office make and preserve records containing adequate and proper documentation of its essential transactions to protect the legal and financial rights of the State and of persons directly affected by the Office's activities.

Finally, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Office establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance funds applicable to operations are properly recorded and accounted for to permit the preparation of reliable financial and statistical reports.

Office officials indicated the issues noted were a result of oversight, human error, and an inability to implement corrective action before the end of the engagement year.

Failure to ensure census data reported to SERS was complete and accurate could have resulted in a material misstatement of the Office's financial statements and reduced the overall accuracy of SERS-related pension liabilities, deferred inflows and outflows of resources, and expense recorded by the State and its agencies. In addition, failure to reconcile active members' census data reported to and held by SERS to the Office's records could result in each plan's actuary relying on incomplete or inaccurate census data in the calculation of the Office's pension and OPEB balances, which may result in a misstatement of these amounts. (Finding Code No. 2021-002, 2020-002)

**RECOMMENDATION**

We recommend the Office implement controls to ensure employee contributions to SERS are complete, accurate, and in accordance with the Illinois Pension Code.

STATE OF ILLINOIS  
**OFFICE OF THE SECRETARY OF STATE**  
SCHEDULE OF FINDINGS  
For the Two Years Ended June 30, 2021

2021-002 **FINDING** (Inadequate Internal Controls over Census Data) (Continued)

Further, we recommend the Office work with SERS and CMS 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 RESPONSE**

The Office accepts this recommendation. The Office was unaware of the reconciliation requirement of our census data until the finding was received last year. SERS contacted our Office in August 2021 to begin their newly established reconciliation process. We had no access to SERS data until that began. The Office complied with the request and will continue to work with SERS annually on this process.

STATE OF ILLINOIS  
**OFFICE OF THE SECRETARY OF STATE**  
SCHEDULE OF FINDINGS  
For the Two Years Ended June 30, 2021

2021-003 **FINDING** (Inadequate Controls over Change Management)

The Office of the Secretary of State (Office) lacked controls over changes to its applications.

The Office had established a myriad of applications in order to meet its mission and mandates. The Office processed and maintained critical and confidential information within these applications.

During our testing of internal controls over changes to applications, we noted the Office had not developed change management policies and procedures to control changes.

Although the Office lacked controls, we tested a sample of changes to determine if the changes were approved and tested. Our testing noted:

- Twenty-one of 60 (35%) changes did not obtain approvals upon the change initiation,
- Twenty-four of 60 (40%) changes did not obtain approvals prior to implementation, and
- Forty-four of 55 (88%) changes did not have testing completed.

Further, we tested a sample of eight developers to determine if their access was restricted, noting the eight (100%) developers had access to the production environment.

The *Security and Privacy Controls for Information Systems and Organizations* (Special Publication 800-53, Fifth Revision) published by the National Institute of Standards and Technology, Configuration Management and System and Communication Protection sections, requires entities to develop and document control over changes, for changes to follow the documented controls and developers' access be properly restricted.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use and misappropriation and maintain accountability over the State's resources.

Office management indicated they did not maintain documentation of the changes and the lack of resources resulted in the weaknesses.

Failure to implement and maintain adequate internal controls over the changes to the Office's applications increases the risk of not having the required accuracy, integrity, and availability. (Finding Code No. 2021-003)

STATE OF ILLINOIS  
**OFFICE OF THE SECRETARY OF STATE**  
SCHEDULE OF FINDINGS  
For the Two Years Ended June 30, 2021

2021-003 **FINDING** (Inadequate Controls over Change Management) (Continued)

**RECOMMENDATION**

We recommend the Office develop change management policies and procedures and ensure changes follow the required controls.

We also recommend the Office ensure developers' access is restricted.

**OFFICE RESPONSE**

The Office accepts this finding. The Office is further developing change management policies and procedures and will ensure changes follow the required controls. The Office also will review developers' access.

STATE OF ILLINOIS  
**OFFICE OF THE SECRETARY OF STATE**  
SCHEDULE OF FINDINGS  
For the Two Years Ended June 30, 2021

2021-004 **FINDING** (Noncompliance with the Election Code)

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

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.

The Code requires the State Board of Elections, the Office, and each designated automatic voter registration agency to 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. The Code states the following is to be designated as confidential: (1) any portion of an applicant's Social Security number; (2) any portion of an applicant's driver's license number or State identification number; (3) an applicant's decision to decline voter registration; (4) the identity of the person providing information relating to a specific applicant; and (5) the personal residence and contact information of any applicant for whom notice has been given by an appropriate legal authority.

Office management indicated the failure to comply with implementing formal policies and procedures regarding the confidential information of the voter registration process stems from pending litigation which would require modification to the Office's protocols. The Office was awaiting a lawsuit to be finalized before creating policies and procedures in an effort to mitigate the number of times the policies and procedures would need to be altered.

The failure to formally develop and adopt policies and procedures concerning the automatic voter registration program could result in an individual's information being seen by unauthorized individuals. (Finding Code No. 2021-004, 2019-002)

**RECOMMENDATION**

We recommend 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 RESPONSE**

The Office accepts this recommendation. The Office formally implemented new policies and procedures in March 2022 to protect the privacy and security of voter information as it is acquired, store, and transmitted among agencies, including the retention and preservation of voter information.

STATE OF ILLINOIS  
**OFFICE OF THE SECRETARY OF STATE**  
SCHEDULE OF FINDINGS  
For the Two Years Ended June 30, 2021

2021-005 **FINDING** (Noncompliance with Secretary of State Act)

The Office of the Illinois Secretary of State (Office) was not in compliance with the provisions of the Secretary of State Act (15 ILCS 305/14) (Act) regarding the appointment of a successor Inspector General.

On January 6, 2021, the Office's interim Inspector General was appointed. The interim term was to expire two weeks after the next regularly scheduled session day of the Senate, which was January 13, 2021. The expiration date of the interim appointment was January 27, 2021. As of our testing, the Office's interim Inspector General continued to operate under this interim appointment.

The Act states the Secretary of State must, with the advice and consent of the Senate, appoint an Inspector General for the purpose of detection, deterrence, and prevention of fraud, corruption, mismanagement, gross or aggravated misconduct, or misconduct that may be criminal in nature in the Office of the Secretary of State. The Inspector General shall serve a five-year term. If no successor is appointed and qualified upon the expiration of the Inspector General's term, the Office of the Inspector General is deemed vacant and the powers and duties under this Section may be exercised only by an appointed an qualified interim Inspector General until a successor Inspector General is appointed and qualified. If the General Assembly is not in session when a vacancy in the Office of Inspector General occurs, the Secretary of State may appoint an interim Inspector General whose term shall expire two weeks after the next regularly scheduled session day of the Senate.

Office management indicated the noncompliance with the Act was due to oversight with the Act's requirement related to the longevity of the interim appointment status.

Failure to appoint a permanent Inspector General could hinder the Office of the Inspector General in carrying out its mandated duties and results in noncompliance with the Act. (Finding Code No. 2021-005)

**RECOMMENDATION**

We recommend the Office comply with the requirements of the Secretary of State Act and appoint a successor Inspector General.

**OFFICE RESPONSE**

The Office accepts this recommendation. The Office submitted a permanent Inspector General appointment to the Senate last year for its consent and is waiting for such action to be taken up by the Senate and has continued the requisite periodic renewals of the interim appointment throughout 2022.

STATE OF ILLINOIS  
**OFFICE OF THE SECRETARY OF STATE**  
SCHEDULE OF FINDINGS  
For the Two Years Ended June 30, 2021

2021-006 **FINDING** (Noncompliance with the State Library Act)

The Office of the Illinois Secretary of State (Office) did not comply with the State Library Act (15 ILCS 320/5) (Act).

During our testing, we noted the State of Illinois Advisory Committee (Committee) was inactive during the examination period. In addition, we noted one of seven (14%) citizen positions and one of thirteen (8%) library professionals on the Committee were vacant during the examination period.

The Act requires the Committee to make recommendations concerning the policies, services, and management of the State Library. The Advisory Committee shall additionally advise the State Library in the development of State and federal library plans; provide input in addressing policies, issues, and activities for library development and cooperation among different types of libraries; make recommendations concerning the evaluation of statewide services; and address the use of technology to expand access to information for the State's citizens.

Additionally, the Act indicates the Committee shall consist of 20 persons appointed by the State Librarian. The appointments shall consist of the following: 13 Library professionals broadly representative of Illinois libraries (including academic, public, school, and special libraries), library systems and other consortia; and seven citizens.

Office management indicated the noncompliance with the Act was due to the inactivity of the committee during the engagement period.

Failure to meet and appoint committee members may prevent the committee from carrying out their mandated duties of regulating the State Library in accordance with the Act. (Finding Code No. 2021-006)

**RECOMMENDATION**

We recommend the Office comply with all the requirements of the State Library Act.

**OFFICE RESPONSE**

The Office accepts the finding regarding the inactivity of and vacancies that are indicated for the State Library Advisory Committee. The Office has begun work on appointments to the committee and anticipates convening meetings of the public body in order for it to make recommendations to the State Librarian regarding State Library operation and assistance that is provided to libraries in Illinois.

STATE OF ILLINOIS  
**OFFICE OF THE SECRETARY OF STATE**  
SCHEDULE OF FINDINGS  
For the Two Years Ended June 30, 2021

2021-007 **FINDING** (Weaknesses Related to Property and Equipment)

The Office of the Illinois Secretary of State (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.

- 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.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources.

- 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.

The Illinois Administrative Code requires agencies to adjust property records in a timely manner for acquisition, change or deletion of equipment items. Agencies have 90 days to record the acquisition, any change, or the deletion of equipment items.

Office management stated the exceptions noted were due to human error and competing priorities.

Inaccurate property reporting reduces the reliability of statewide property information. In addition, failure to properly update property acquisition records is a violation of Code and increases the risk of inaccurate recordkeeping. (Finding Code No. 2021-007, 2019-005)

**RECOMMENDATION**

We recommend the Office implement controls and procedures to ensure its property and equipment is reported and accounted for in a manner which complies with State statute and the Illinois Administrative Code.

STATE OF ILLINOIS  
**OFFICE OF THE SECRETARY OF STATE**  
SCHEDULE OF FINDINGS  
For the Two Years Ended June 30, 2021

2021-007 **FINDING** (Weaknesses Related to Property and Equipment) (Continued)

**OFFICE RESPONSE**

The Office accepts these recommendations. The Office will continue to evaluate, review and monitor its compliance with mandated property control requirements.

STATE OF ILLINOIS  
**OFFICE OF THE SECRETARY OF STATE**  
 SCHEDULE OF FINDINGS  
 For the Two Years Ended June 30, 2021

2021-008 **FINDING** (Inaccurate Agency Fee Imposition Reports)

The Office of the Secretary of State (Office) had weaknesses in reporting fees collected and other statutory required information on the Agency Fee Imposition Reports filed during the examination period.

Our testing of the Office’s Agency Fee Imposition Reports (Report(s)) filed during the examination period noted weaknesses concerning the reporting of fess collected and compliance with statutory reporting requirements. Specifically:

- Nineteen of 402 (5%) fees listed in the 2019 Report did not agree with the Office’s records. The differences ranged from \$30 to \$19,248,344 and resulted in an understatement on the Report of \$18,642,396.
- Eight of 395 (2%) fees listed in the 2020 Report did not agree with the Office’s records. The differences ranged from \$180 to \$4,132,663 and resulted in an understatement on the Report of \$3,989,342.
- The following exceptions were noted for the 60 fees tested, 30 for each Report, for statutory requirements:

<b>Exception Noted</b>	<b>2020 Report</b>	<b>2019 Report</b>	<b>Total</b>
Description of fees imposed by the agency	0	4	4
Purpose of the fees	1	12	13
Statutory or other authority for the imposition of the fees	0	4	4
General population affected by the fee	1	11	12
Cost of the administration and the degree to which the goals of the program are met	0	18	18

The Illinois State Auditing Act (30 ILCS 5/3-8.5) states the Auditor General shall develop an Agency Fee Imposition Report Form to be used by all State agencies that impose and collect fees. The form shall provide for the reporting by State agencies of the following: (1) a list and description of fees imposed by the agency; (2) purpose of the fees; (3) statutory or other authority for the imposition of the fees; (4) the amount of revenue generated; (5) general population affected by the fee; (6) funds into which the fees are deposited; (7) use of the funds, if earmarked; and (8) cost of the administration and the degree to which the goals of the program are met.

STATE OF ILLINOIS  
**OFFICE OF THE SECRETARY OF STATE**  
SCHEDULE OF FINDINGS  
For the Two Years Ended June 30, 2021

2021-008 **FINDING** (Inaccurate Agency Fee Imposition Reports) (Continued)

The State Comptroller Act (15 ILCS 405/16.2) requires all State agencies that impose and collect fees prepare the Agency Fee Imposition Report Form. The Fiscal Control and Internal Audit Act (30 ILCS 10/3001 (4)) requires State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls, to provide assurance that revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources.

Office management attributed the exceptions noted to oversight and human error.

Inaccurate fee reporting reduces the reliability of Statewide fee information. Failure to include all of the required fee information results in statutory noncompliance. (Finding Code No. 2021-008, 2019-007)

**RECOMMENDATION**

We recommend the Office develop procedures, including a supervisor review prior to its submission, to ensure it presents complete and accurate Agency Fee Imposition Reports to the Office of State Comptroller.

**OFFICE RESPONSE**

The Office accepts the recommendation. Since January 2020, when the Agency Fee Imposition Report inaccuracies were initially identified within the 2017 and 2018 Reports, the Office strengthened its procedures over this area. This is evident by the reduction of inaccuracies noted in the 2020 Report. Unfortunately, the 2019 Report information was submitted by the Office in July 2019 approximately six months prior to the initial identification of the inaccuracies. While the Office takes every inaccuracy seriously, it is worth pointing out the understatements noted in the 2019 and 2020 Reports represent 0.80% and 0.17% of the total fees collected by the Office, respectively.

Additionally, the portal used to submit Agency Fee Imposition Report data requires Office personnel to manually key in thousands of figures each year. Furthermore, the portal does not currently provide the user the ability to view totals as the data is manually entered to compare against Office totals in real-time. Despite these inherent challenges, the Office is working to further strengthen its procedures to ensure complete and accurate Agency Fee Imposition Report data is reported annually as it is committed to correcting this issue.

STATE OF ILLINOIS  
**OFFICE OF THE SECRETARY OF STATE**  
SCHEDULE OF FINDINGS  
For the Two Years Ended June 30, 2021

2021-009 **FINDING** (Failure to Timely Administer Performance Evaluations)

The Office of the Illinois Secretary of State (Office) did not timely perform and document performance evaluations.

During our testing, we noted the following:

- Seventeen of 40 (43%) employees did not have a performance evaluation performed in a timely manner. The evaluations were performed from six to 144 days late.
- The evaluations for five of 40 (13%) employees tested did not include the date performed. As a result, the auditors were unable to determine the performance evaluation was performed in a timely manner.

The Office's Policy Manual (Chapter 2 Number 35) states that performance evaluations shall be conducted on an employee's creditable service date/ anniversary date; during the probationary period (minimum of two performance evaluations are required) of a new hire; or before the end of a promotional probationary period.

Furthermore, good business practice dictates annual evaluations be performed in a timely manner as an important component of communication between the employee and employer on the performance and future expectations of the employee in the workplace.

Office management indicated the COVID-19 pandemic and employees working home was the cause of the exceptions.

Performance evaluations are a necessary and beneficial process used for the development of employees and communication of performance expectations to employees. Failure to complete performance evaluations in a timely matter inhibits the Office in providing timely feedback on employees' performance and areas for improvements. Further, performance evaluations provide systematic judgment to support salary increases, promotions, transfers, demotions, and terminations. (Finding Code No. 2021-009)

**RECOMMENDATION**

We recommend the Office administer performance evaluations by an employee's creditable service date/anniversary date; during the probationary period of a new hire; or before the end of a promotional probationary period as required by Office policy.

STATE OF ILLINOIS  
**OFFICE OF THE SECRETARY OF STATE**  
SCHEDULE OF FINDINGS  
For the Two Years Ended June 30, 2021

2021-009 **FINDING** (Failure to Timely Administer Performance Evaluations) (Continued)

**OFFICE RESPONSE**

The Office accepts the finding. The Office notes, however, that there is no statutory or regulatory authority for this citation, unlike other governmental entities. The Office also notes that Covid-19 impact with employees working from home and not working in the offices had a significant impact on the Office's ability to administer the evaluations on a timely basis and that despite this, the Office generally administered its evaluations within a couple weeks of the employees' service/anniversary dates. Further, it has been the Office's working procedure to administer the evaluations within the employees' anniversary months rather than the specific service/anniversary date. The Office intends to change its own internal Policy Manual to better clarify these operating procedures and to continue to timely administer its performance evaluations.

STATE OF ILLINOIS  
**OFFICE OF THE SECRETARY OF STATE**  
SCHEDULE OF FINDINGS  
For the Two Years Ended June 30, 2021

2021-010 **FINDING** (Lack of Adequate Controls Over the Review of Internal Controls over Service Providers)

The Office of the Secretary of State (Office) did not obtain or conduct independent internal control reviews over its service providers.

The Office utilizes external service providers for various services including drivers' license processing. Some of the information controls by the service providers is classified as personally identifiable information.

During our testing, we noted the contracts for two of seven (29%) of the external service providers used by the Office did not contain a requirement for an independent internal control review or System and Organization Control (SOC) reports to be completed. As a result, the Office did not obtain SOC reports from those service providers.

The *Security and Privacy Controls for Information Systems and Organizations* (Special Publication 800-35 (Fifth Revision)) published by the National Institute of Standards and Technology (NIST) states the organization should ensure operational success by consistently monitoring service providers and organizational security performance against identified requirements, periodically evaluating changes in risks and threats to the organization and ensuring the organizational security solution is adjusted as necessary to maintain an acceptable security posture. As such, reviews of assessments, audits and inspections should be completed to determine the controls are in place at all vendors, service providers and subservice providers.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources. Strong management controls, due diligence, and fiduciary responsibility require adequate supervision of service providers.

Office management indicated the contracts did not include the necessary requirements because they are existing contracts which have not been renegotiated due to budgetary restrictions.

Without having obtained and reviewed a SOC Report or another form of independent internal control review, the Office does not have assurance the service providers' internal controls are adequate to ensure personal information is secure. (Finding Code No. 2021-010, 2019-010)

STATE OF ILLINOIS  
**OFFICE OF THE SECRETARY OF STATE**  
SCHEDULE OF FINDINGS  
For the Two Years Ended June 30, 2021

2021-010 **FINDING** (Lack of Adequate Controls Over the Review of Internal Controls over Service Providers) (Continued)

**RECOMMENDATION**

We recommend the Office review contracts with service providers to ensure applicable requirements over the independent review of internal controls are included.

Additionally, we recommend the following:

- Obtain SOC reports or perform independent reviews of internal controls associated with outsourced systems at least annually.
- Either obtain and review SOC reports for subservice organizations or perform alternative procedures to satisfy itself that the existence of the subservice organization would not impact its internal control environment.
- Document its review of the SOC reports and review all significant issues with subservice organizations to ascertain if a corrective action plan exists and when it will be implemented, any impacts to the Office, and any compensating controls.

**OFFICE RESPONSE**

The Office accepts the recommendation. The Department of Information Technology works alongside the General Counsel's Office to make sure language is in its agreement with third party providers related to the outsourcing of certain information systems. DoIT will continue to review, maintain and track SOC reports as well as ascertain if all requirements are followed.

STATE OF ILLINOIS  
**OFFICE OF THE SECRETARY OF STATE**  
SCHEDULE OF FINDINGS  
For the Two Years Ended June 30, 2021

2021-011 **FINDING** (Access Control Weaknesses)

The Office of the Secretary of State (Office) did not ensure adequate access controls to their environment, applications and data.

During fieldwork, we examined the Office's general information technology controls over the following significant applications:

- Plate Inventory
- RUSAS
- Accounting Revenue System
- Property Control
- Payroll (PYIN and Paycheque)
- License Plate Renewal
- Safe Driver Renewal
- International Registration Plan
- Budget and Fiscal Management
- Insurance Verification System
- Motor Vehicle Theft Fund

As part of our testing, we requested the Office provide a population of users to a sample of critical applications. Although the Office provided a population, they did not provide documentation to ensure the population of users was complete and accurate. Therefore, we were unable to conclude whether the population provided by the Office was sufficiently precise and detailed under the Attestation Standards promulgated by the American Institute of Certified Public Accountants (AT-C § 205.35).

Even given the population limitations noted above, we noted the following during our testing:

- For five of eleven (45%) significant applications, the Office did not conduct an annual review of user access rights.
- For four of eleven (36%) significant applications, thirteen users retained access to the applications when no longer needed. The Office only took action as a result of our testing.
- For one of eleven (9%) significant applications, the Office did not provide approval of access for one new employee.
- For one of eleven (9%) significant applications, ten users appeared on the user access listing but the Office stated the users did not actually have access to the application.

STATE OF ILLINOIS  
**OFFICE OF THE SECRETARY OF STATE**  
SCHEDULE OF FINDINGS  
For the Two Years Ended June 30, 2021

2021-011 **FINDING** (Access Control Weaknesses) (Continued)

- The Office did not do an annual access review of Statewide Accounting Management System (SAMS) users.

Further, the Office had not developed access provisioning policies and procedures.

The *Security and Privacy Controls for Information Systems and Organizations* (Special Publication 800-53 (Fifth Revision)) published by the National Institute of Standards and Technology (NIST), Access Control section, requires entities to develop and comply with control over the timely termination of access rights and the periodic review of access rights.

Furthermore, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that revenues, expenditures, and transfers of assets, resources or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources.

Office management stated the inadequate access and lack of reviews was due to oversight and lack of resources.

The lack of adequate controls over access, could result in unauthorized access and disclosure of confidential information. (Finding Code No. 2021-011)

**RECOMMENDATION**

We recommend the Office develop internal controls to document the completeness and accuracy of their user populations. In addition, we recommend the Office develop access provisioning policies and procedures and ensure users' access is appropriate.

**OFFICE RESPONSE**

The Office accepts the recommendation. The Department of Information Technology (DoIT) will work with the User Departments to verify the completeness and accuracy of their user populations. DoIT will also work with the User Departments to develop an annual access review.

STATE OF ILLINOIS  
**OFFICE OF THE SECRETARY OF STATE**  
SCHEDULE OF FINDINGS  
For the Two Years Ended June 30, 2021

2021-012 **FINDING** (Noncompliance with the Fiscal Control and Internal Auditing Act)

The Office of the Secretary of State (Office) did not fully comply with the Fiscal Control and Internal Auditing Act (FCIAA) (30 ILCS 10/2003) that requires audits of major systems of internal accounting and administrative control.

We noted the Office had installed and implemented several applications, such as the Safe Driver Renewal Online Web application and the License Plate Renewal Online Web application, that contain critical, financially sensitive, or confidential data during the examination period. Office management indicated the Office's Internal Audit department did not conduct any reviews of these major electronic data processing systems implemented or major modifications to the systems prior to installation.

The FCIAA (30 ILCS 10/2003) requires the chief executive officer of each designated State agency to ensure reviews of the design of major new electronic data processing systems and major modifications of those systems before their installation to ensure the systems provide for adequate audit trails and accountability.

Office management stated the failure to comply with the FCIAA was due to a vacancy in the Information Technology Auditor role that could not be filled during the engagement period due to the COVID-19 pandemic and the government-mandated shutdown.

Failure to perform reviews of major electronic data processing systems and major modification of those systems before their installation is noncompliance with the FCIAA. Also, performing reviews are necessary to ensure that significant internal control weaknesses do not exist and that errors & irregularities do not go undetected. (Finding Code No. 2021-012)

**RECOMMENDATION**

We recommend the Office's internal audit division conducts reviews of all major electronic data processing systems implemented or major modifications to existing systems prior to installation to ensure that proper audit trails, controls and accountability measures exists.

**OFFICE RESPONSE**

The Office accepts the recommendation. The Office is currently working to ensure that the Department of Internal Audit reviews newly implemented electronic data processing systems or major modifications to existing systems as required by the Fiscal Control and Internal Auditing Act.

STATE OF ILLINOIS  
**OFFICE OF THE SECRETARY OF STATE**  
SCHEDULE OF FINDINGS  
For the Two Years Ended June 30, 2021

2021-013 **FINDING** (Weaknesses with Payment Card Industry Data Security Standards)

The Office of the Secretary of State (Office) did not fully comply with Payment Card Industry Data security Standards (PCIDSS).

The Office accepts credit card payments for various services including license and vehicle title registration and driver license renewals. In fiscal years 2020 and 2021 the Office handled 5.6 million and 5.5 million transactions, totaling approximately \$592 million and \$644 million, respectively.

During our review, we noted the Office had not:

- Established requisite policies and procedures to maintain a PCI compliance environment;
- Maintain physical controls over locations containing cardholder data;
- Formally assessed each program accepting credit card payments, the methods in which payments could be made, and matched these methods to the appropriate Self-Assessment Questionnaire (SAQ);
- Completed a SAQ or Attestation of Compliance addressing all elements of its environment utilized to store, process, and transmit cardholder data;
- Provided documentation demonstrating PCI trainings had been conducted;
- Provided documentation of logical security controls; and
- Fully identified the IT environment that transmitted cardholder data.

PCI DSS was developed to detail security requirements for entities that store, process, or transmit cardholder data. Cardholder data is any personally identifiable data associated with a cardholder. To assist in the assessment of entities' environment, the Payment Card Industry (PCI) Council established SAQs for validating compliance with PCI's core requirements.

In addition, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation.

Office management indicated the exceptions were due to lack of resources and competing priorities.

STATE OF ILLINOIS  
**OFFICE OF THE SECRETARY OF STATE**  
SCHEDULE OF FINDINGS  
For the Two Years Ended June 30, 2021

2021-013 **FINDING** (Weaknesses with Payment Card Industry Data Security Standards)  
(Continued)

Failure to establish and maintain adequate procedures to handle and protect confidential and personally identifiable information could lead to the loss of credit card data or loss of the right to utilize certain credit card providers if not in compliance with current PCI standards. Also, loss of confidential data could result in identity theft or unauthorized use, as well as unnecessary costs and liability to the Office. (Finding Code No. 2021-013, 2019-009, 2017-004, 2015-004, 2013-007)

**RECOMMENDATION**

We recommend the Office:

- Establish requisite policies and procedures to maintain a PCI compliance environment;
- Maintain physical controls over locations containing cardholder data;
- At least annually, assess each program accepting credit card payments, the methods in which payments can be made, and match these methods to the appropriate SAQ;
- Complete the appropriate SAQ addressing all elements of its environment utilized to store, process, and transmit cardholder data and an Attestation of Compliance Form;
- Maintain documentation of PCI trainings conducted; and
- Identify the IT environment that transmits cardholder data and document logical security controls implemented to protect cardholder data.

**OFFICE RESPONSE**

The Office accepts the recommendation. The Illinois State Treasurer administers the contract with the State's credit card processor and E-pay program vendor. The Office is correcting PCI weaknesses as they are identified. Also, the Office is completing the appropriate SAQ as well as working toward compliance of this finding.

STATE OF ILLINOIS  
OFFICE OF THE SECRETARY OF STATE  
SCHEDULE OF FINDINGS  
For the Two Years Ended June 30, 2021

2021-014 **FINDING** (Weaknesses in Cybersecurity Programs and Practices)

The Office of the Secretary of State (Office) had not implemented adequate internal controls related to cybersecurity programs, practices, and control of confidential information.

The Office had established a myriad of applications in order to meet its mission and mandate. The Office processed and maintained confidential and personal information within these applications, such as names, addresses, date of birth and Social Security numbers of the citizens of the State of Illinois.

The Illinois State Auditing Act (30 ILCS 5/3-2.4) requires the Auditor General to review State agencies and their cybersecurity programs and practices. During our examination, we noted the Office had not:

- Developed formal on-boarding policies and procedures;
- Developed a project management framework, including system development standards to ensure new applications were adequately developed and implemented in accordance with management's expectations;
- Conducted a comprehensive risk assessment;
- Conducted cybersecurity training during the examination period;
- Classified its data to identify and ensure adequate protection of information;
- Maintained documentation of vulnerability scans conducted;
- Required all employees and contractors to acknowledge receipt of the Office's policies; and
- Provided a complete and accurate population of the security incidents along with documentation of how the incidents were remediated.

The *Framework for Improving Critical Infrastructure Cybersecurity and the Security and Privacy Controls for Information Systems and Organizations* (Special Publication 800-53, Fifth Revision) published by the National Institute of Standards and Technology requires entities to consider risk management practices, threat environments, legal and regulatory requirements, mission objectives and constraints in order to ensure the security of their applications, data, and continued business mission.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use and misappropriation and maintain accountability over the State's resources.

Office management indicated the above exceptions were due to lack of resources and staff turnover.

STATE OF ILLINOIS  
**OFFICE OF THE SECRETARY OF STATE**  
SCHEDULE OF FINDINGS  
For the Two Years Ended June 30, 2021

2021-014 **FINDING** (Weaknesses in Cybersecurity Programs and Practices) (Continued)

The lack of adequate cybersecurity programs and practices could result in unidentified risk and vulnerabilities, which could ultimately lead to the Office's confidential and personal information being susceptible to cyber-attacks and unauthorized disclosure. (Finding Code No. 2021-014)

**RECOMMENDATION**

We recommend the Office:

- Develop formal on-boarding policies and procedures.
- Develop a project management framework, including system development standards to ensure new applications are adequately developed and implemented in accordance with management's expectations.
- Conduct a comprehensive risk assessment.
- Conduct cybersecurity training annually.
- Classify its data to identify and ensure adequate protection of information.
- Maintain documentation of vulnerability scans conducted.
- Require all employees and contractors to acknowledge receipt of the Office's policies.
- Ensure an accurate and complete listing of the security incidents is maintained, along with documentation of how the incidents are remediated.

**OFFICE RESPONSE**

The Office accepts the recommendation. The Department of Information Technology will work alongside the Department of Personnel and the Department of Budget and Fiscal Management to develop, maintain, and track formal on-boarding policies and procedures as well as acknowledging receipt of the Office's policies. A current comprehensive risk assessment is being completed. Also, the Annual training has begun for the Office.

STATE OF ILLINOIS  
**OFFICE OF THE SECRETARY OF STATE**  
SCHEDULE OF FINDINGS  
For the Two Years Ended June 30, 2021

2021-015 **FINDING** (Disaster Recovery Plan Weaknesses)

The Office of the Secretary of State (Office) had not updated its disaster recovery plan and had not developed detailed recovery testing scripts.

The Office had established a myriad of applications in order to meet its mission and mandate. The Office processed and maintained critical and confidential information within these applications. Therefore, it is essential for the timely and complete recovery of the Office's environments, applications and databases.

During our review of the Office's disaster recovery plan, we noted:

- The plan had not been updated during the examination period and appeared to be a draft.
- Prioritization of applications and data, based on criticality, had not been completed.
- Not all backups were encrypted.
- Detailed recovery scripts for the recovery of the environment, applications and data were not documented.

The *Contingency Planning Guide for Information Technology Systems* published by the National Institute of Standards and Technology requires entities to have an updated and regularly tested disaster contingency plan to ensure the timely recovery of applications and data.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use and misappropriation and maintain accountability over the State's resources.

Office management indicated a lack of resources resulted in the noted weaknesses.

Without an adequately documented disaster recovery plan, the Office cannot ensure its critical systems could be recovered within an acceptable period, and therefore minimizing the impact associated with a disaster. (Finding Code No. 2021-015)

STATE OF ILLINOIS  
**OFFICE OF THE SECRETARY OF STATE**  
SCHEDULE OF FINDINGS  
For the Two Years Ended June 30, 2021

2021-015 **FINDING** (Disaster Recovery Plan Weaknesses) (Continued)

**RECOMMENDATION**

We recommend the Office update and approve its disaster recovery plan. We also recommend the Office prioritize its applications and data based on criticality, encrypt backups, and ensure the disaster recovery plan is documented with detailed recovery scripts for the recovery of the environment, applications and data.

**OFFICE RESPONSE**

The Office accepts the recommendation. The Office will update and approve its disaster recovery plan. Also, the Office will prioritize its applications and data based on criticality, encrypt backups, and ensure the disaster recovery plan is documented with detailed recovery scripts for the recovery of the environment, applications, and data.

STATE OF ILLINOIS  
**OFFICE OF THE SECRETARY OF STATE**  
SCHEDULE OF FINDINGS  
For the Two Years Ended June 30, 2021

2021-016 **FINDING** (Computing Environment Weaknesses)

The Office of the Secretary of State (Office) did not maintain adequate security controls over its computing environment.

The Office had established a myriad of applications in order to meet its mission and mandate. The Office processed and maintained critical and confidential information within these applications.

As part of our testing, we requested the Office provide a population of its servers. Although the Office provided a population, our testing concluded the population was incomplete. Therefore, we were unable to conclude whether the population provided by the Office was sufficiently precise and detailed under the Attestation Standards promulgated by the American Institute of Certified Public Accountants (AT-C § 205.35).

Even given the population limitations noted above, we reviewed the servers to determine if antivirus had been installed. However, the Office could not provide documentation demonstrating antivirus had been installed on all servers.

Additionally, our testing noted:

- The Office did not have a patch management policy documenting internal controls over patches to their environment;
- Two of six (33%) patches were not applied timely. The patches were applied six and seven weeks late.
- An outdated encryption was utilized for some of their applications.

The *Security and Privacy Controls for Information Systems and Organizations* (Special Publication 800-53, Fifth Revision) published by the National Institute of Standards and Technology, System and Information Integrity and System and Communication Protection sections, requires entities to develop system and integrity policies and procedures, install software and firmware patches, test patches before installing, incorporate patches into their configuration management process, implement malicious code (antivirus) protection mechanisms, and protect confidentiality and integrity of information processed and transmitted by applications by employing encryption techniques.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use and misappropriation and maintain accountability over the State's resources.

STATE OF ILLINOIS  
**OFFICE OF THE SECRETARY OF STATE**  
SCHEDULE OF FINDINGS  
For the Two Years Ended June 30, 2021

2021-016 **FINDING** (Computing Environment Weaknesses) (Continued)

Office management indicated the exceptions were due to lack of manpower, employee turnover, and the age of some systems did not allow an updated encryption.

Failure to have adequate security controls over the Office's environment increases the risk of unauthorized access and the confidentiality, integrity, and availability of systems and data will be compromised. (Finding Code No. 2021-016)

**RECOMMENDATION**

We recommend the Office adopt a patch management policy documenting internal controls over patches to their environment and apply patches according to the policy. We also recommend the Office maintain an accurate list of servers, retain documentation demonstrating antivirus had been installed on all servers, and phase out the outdated encryption.

**OFFICE RESPONSE**

The Office accepts the recommendation. The Office will adopt a patch management policy documenting internal controls over patches to our environment and apply patches according to the policy. The Office will begin maintaining an accurate list of servers, retain documentation demonstrating antivirus which had been installed on all servers, and phase out the outdated encryption.

STATE OF ILLINOIS  
**OFFICE OF THE SECRETARY OF STATE**  
SCHEDULE OF FINDINGS – NOT REPEATED FINDINGS  
For the Two Years Ended June 30, 2021

A. **FINDING** (Failure to Adjust License and Fee Revenues)

During the financial audit of the Office of the Secretary of State (Office) for the year ended June 30, 2020, the Office failed to adjust license and fee revenues that were originally funded using unadjusted weekly fee imposition reports on a monthly basis throughout fiscal year 2020. The Office also lacked internal control processes to identify this error.

During the current engagement, our testing indicated the Office had implemented internal control processes to ensure license and fee revenues were adjusted throughout fiscal year 2021. (Finding Code 2020-003)

B. **FINDING** (Noncompliance with the Illinois Identification Card Act)

During the previous examination, the Office failed to full comply with applicable sections of the Illinois Identification Card Act.

During the current examination, our sample testing indicated the Office properly complied with applicable sections of the Illinois Identification Card Act. (Finding Code No. 2019-003)

C. **FINDING** (Noncompliance with Various Statutory Mandates)

During the previous examination, the Office failed to comply with various statutory mandates. Specifically, we noted the Office did not comply with the State Employment Records Act (5 ILCS 410/1 et seq.) and the Illinois Procurement Code (30 ILCS 500).

During the current examination, our sample testing indicated the Office properly complied with the State Employment Records Act (5 ILCS 410/1 et seq.) and the Illinois Procurement Code (30 ILCS 500). (Finding Code No. 2019-004)

D. **FINDING** (Weaknesses in Performing Reconciliations)

During the previous examination, the Office could not demonstrate the timely reconciliation of Office records to those of the Office of Comptroller and, in some cases, failed to perform reconciliations of Office records to those of the Office of Comptroller.

During the current examination, our sample testing indicated the Office demonstrated timely reconciliations of Office records to those of the Office of Comptroller. (Finding Code No. 2019-006)

STATE OF ILLINOIS  
**OFFICE OF THE SECRETARY OF STATE**  
SCHEDULE OF FINDINGS – NOT REPEATED FINDINGS  
For the Two Years Ended June 30, 2021

E. **FINDING** (Weaknesses in Locally Held Funds)

During the previous examination, the Office performed inaccurate reconciliations of its locally held funds records which resulted in inaccurate reports filed with the Office of Comptroller. The Office also submitted late reports to the Office of Comptroller for one of its locally held funds.

During the current examination, our sample testing indicated the Office performed accurate reconciliations of its locally held funds records and submitted them timely to the Office of Comptroller. (Finding Code No. 2019-008)

STATE OF ILLINOIS  
**OFFICE OF THE SECRETARY OF STATE**  
STATE COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2021

**DISCLOSURES REPORT**

**SUMMARY**

A reading of the accompanying report components of the Office of the Secretary of State (Office) was performed by Sikich LLP.

**ACCOUNTANT'S REPORT**

The accountants concluded omissions and uncorrected material misstatements of the other information exists, as described in the Independent Accountant's Report on Disclosures Accompanying a State Compliance Examination Report.

**EXIT CONFERENCE**

This report was discussed with Office personnel at an exit conference on April 25, 2022.

Attending were:

Office of the Secretary of State

Jaqueline M. Price, Budget and Fiscal Management Director /Chief Fiscal Officer  
Amanda Trimmer, Budget and Fiscal Management Chief Deputy Director  
Doug Barringer, GAAP Coordinator  
Steve Roth, Personnel Director  
Stell Mallios, Chief Internal Auditor  
John Grzymiski, Accounting Revenue Director  
Chris Longo, Internal Audit  
Mike Standley, Information Technology Director  
David Addis, Internal Audit  
Adam Ausmus, Chief Deputy Director, Accounting Revenue

Office of the Auditor General

Stephine Wildhaber, Senior Audit Manager  
Reddy Bommareddi, IS Audit Manager

Sikich LLP

Amy Sherwood, Partner  
Danielle Caldwell, Senior Manager

3201 W. White Oaks Dr., Suite 102  
Springfield, IL 62704  
217.793.3363

SIKICH.COM

**INDEPENDENT ACCOUNTANT'S REPORT  
ON DISCLOSURES ACCOMPANYING A STATE  
COMPLIANCE EXAMINATION REPORT**

Honorable Frank J. Mautino  
Auditor General  
State of Illinois

*Disclosures Accompanying a State Compliance Examination Report*

Management of the State of Illinois, Office of the Secretary of State (Office) is responsible for the *Disclosures Accompanying a State Compliance Examination Report* (other information), which consists of the Fiscal Schedules and Analysis and Analysis of Operations report components as listed in the Table of Contents. The other information comprises disclosures which must be presented by management in accordance with *Report Components* memorandum published by the Auditor General of the State of Illinois, but does not include our *Independent Accountant's Report on State Compliance and on Internal Control over Compliance* found in the separate *State Compliance Examination Report* included within this document. Our opinion on the Board's State compliance and internal control over compliance does not cover this other information, and we do not express an opinion or any form of assurance thereon.

In connection with our examination of the Office, our responsibility is to read the other information and consider whether:

- 1) a material inconsistency exists between the other information and our knowledge and facts of the Office we obtained as part of the Office's State compliance examination;
- 2) the other information appears to have been omitted; or,
- 3) the other information appears to be materially misstated.

If, based on the work performed, we concluded an omission or uncorrected material misstatement of the other information exists, we are required to describe it in this report. As described below, we have concluded other information was omitted.

1. The amounts in the Office's *Schedule of Appropriations, Expenditures, and Lapsed Balances*, and the *Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances* were prepared based on the Office of the Comptroller's records rather than the Office's records. Due to this issue the schedule was not included in the Compliance Examination report. Specifically for June 30 amounts, the Office's *Schedule of Appropriations, Expenditures, and Lapsed Balances*, and the *Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances* did not contain any of the reconciling items that were included the Office's SB01 reconciliations.

2. The *Analysis of Significant Variations in Expenditures* was not prepared in the proper format set forth by the Office of the Auditor General. The schedule was prepared based on expenditure type but did not specify the funds associated with the expenditure types. The schedule is required to be prepared based on fund, followed by expenditure type. Due to this issue the schedule was not included in the Compliance Examination report.
3. The *Analysis of Significant Variations in Lapse Period Spending* was prepared by the Office; however it was not included in the Compliance Examination Report due to the omission of the *Schedule of Appropriations, Expenditures, and Lapsed Balances*. The omission of the *Schedule of Appropriations, Expenditures, and Lapsed Balances* resulted in the lack of comparative figures used to support the schedule in the report.
4. The *Comparative Schedule of Cash Receipts and Deposits into the State Treasury* was not prepared in the proper format set forth by the Office of the Auditor General. The schedule was prepared by revenue source code, rather than by fund number. Due to this issue the schedule was not included in the Compliance Examination report.
5. The *Analysis of Significant Variations in Receipts* was prepared by the Office; however it was not included in the Compliance Examination Report due to the omission of the *Comparative Schedule of Cash Receipts and Deposits into the State Treasury*. The omission of the *Comparative Schedule of Cash Receipts and Deposits into the State Treasury* resulted in the lack of comparative figures used to support the schedule in the report.
6. The amounts in the Office's *Schedule of Changes in Property* for both Fiscal Year 2020 and Fiscal Year 2021 did not reflect the amounts reported in the Office's supporting documentation. There were material differences noted between the amounts reported on the Office's *Schedule of Changes in Property* and the Office's Agency Report of State Property (C-15). Due to this issue the schedule was not included in the Compliance Examination report.
7. The *Functions and Planning* schedule did not conform to the required template put forth by the Office of the Auditor General. The *Functions and Planning* schedule did not include any key financial, program and statistical elements including comparative elements from the fiscal year immediately preceding the examination period, along with management's analysis about the meaning of this data as required by the Auditor General. Due to this issue the schedule was not included in the Compliance Examination report.

**SIGNED ORIGINAL ON FILE**

Springfield, IL  
May 5, 2022

STATE OF ILLINOIS  
**OFFICE OF THE SECRETARY OF STATE**  
**COMPARATIVE SCHEDULE OF NET EXPENDITURES**  
**BY MAJOR ACTIVITY**

For the Fiscal Year Ended June 30,

	2021	2020	2019
<b>EXPENDITURE STATISTICS</b>			
<b>All State Treasury Funds:</b>			
Total Operations Expenditures:	\$ 325,371,296	\$ 312,592,794	\$ 312,740,996
Percentage of Total Expenditures:	63.2%	68.3%	64.2%
Personal Services	190,208,200	188,788,225	179,532,611
Other Payroll Costs	26,510,423	26,390,272	25,604,813
All Other Operating Expenditures	108,652,673	97,414,297	107,603,572
Total Awards and Grants Expenditures:	180,845,436	136,328,181	165,261,116
Percentage of Total Expenditures:	35.1%	29.8%	33.9%
Total Permanent Improvements Expenditures:	5,882,892	6,164,902	5,019,567
Percentage of Total Expenditures:	1.1%	1.3%	1.0%
Total Refund Expenditures:	2,817,172	2,271,658	4,274,898
Percentage of Total Expenditures:	0.5%	0.5%	0.9%
<b>GRAND TOTAL - ALL EXPENDITURES:</b>	<b>\$ 514,916,795</b>	<b>\$ 457,357,534</b>	<b>\$ 487,296,577</b>

Note 1: Expenditures were obtained from the Office of Secretary of State's records and have been reconciled to the State Comptroller's records as of September 30, 2021 and September 30, 2020.

Note 2: Expenditure amounts are vouchers approved for payment by the Office of Secretary of State and submitted to the State Comptroller for payment to the vendor.

As further described in the *Independent Accountant's Report on Disclosures Accompanying a State Compliance Examination Report*, the accountants do not express an opinion or any form of assurance on this report component.

STATE OF ILLINOIS  
**OFFICE OF THE SECRETARY OF STATE**  
**SCHEDULE OF LOCALLY-HELD FUND RECEIPTS AND DISBURSEMENTS**

(IN THOUSANDS)

For the Fiscal Year Ended June 30,

	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>LOCALLY-HELD FUNDS</b>			
<b>Go-Back Fund - 1110</b>			
Balance, Beginning of the Fiscal Year	\$ 4	\$ -	\$ -
Receipts	30	27	15
Disbursements	29	23	15
Balance, End of the Fiscal Year	<u>\$ 5</u>	<u>\$ 4</u>	<u>\$ -</u>
<b>Special Advance Fund - 1198</b>			
Balance, Beginning of the Fiscal Year	\$ 5	\$ 5	\$ 5
Receipts	0	0	0
Disbursements	0	0	0
Balance, End of the Fiscal Year	<u>\$ 5</u>	<u>\$ 5</u>	<u>\$ 5</u>
<b>Safe-Keeping Fund - 1344</b>			
Balance, Beginning of the Fiscal Year	\$ 268	\$ 244	\$ 455
Receipts	52	144	124
Disbursements	101	120	335
Balance, End of the Fiscal Year	<u>\$ 219</u>	<u>\$ 268</u>	<u>\$ 244</u>
<b>Antique Vehicle Show - 1390</b>			
Balance, Beginning of the Fiscal Year	\$ 14	\$ 13	\$ 13
Receipts	17	15	15
Disbursements	19	14	15
Balance, End of the Fiscal Year	<u>\$ 12</u>	<u>\$ 14</u>	<u>\$ 13</u>

Note 1: These balances were obtained from the Office of Secretary of State's records and have been reconciled to the Office's Report of Receipts and Disbursements for Locally Held Funds for each locally held fund submitted to the Office of State Comptroller as of June 30, 2021, and June 30, 2020.

Note 2: This schedule is presented on the cash basis of accounting.

As further described in the *Independent Accountant's Report on Disclosures Accompanying a State Compliance Examination Report*, the accountants do not express an opinion or any form of assurance on this report component.

STATE OF ILLINOIS  
**OFFICE OF THE SECRETARY OF STATE**  
**NUMBER OF EMPLOYEES**

For the Fiscal Year Ended June 30,

	2021	2020	2019
<b><u>AVERAGE FULL-TIME EMPLOYEES</u></b>			
Executive Group	89	91	88
General Admin Group	902	908	906
Motor Vehicle Group	2,654	2,604	2,436
Total average full-time employees	3,645	3,603	3,430

Note 1: This schedule presents the average number of employees, by divisions, at the Office of the Secretary of State.

As further described in the *Independent Accountant's Report on Disclosures Accompanying a State Compliance Examination Report*, the accountants do not express an opinion or any form of assurance on this report component.

STATE OF ILLINOIS  
**OFFICE OF THE SECRETARY OF STATE**  
**DISCLOSURE OF EMERGENCY PURCHASES**  
For the Two Years ended June 30, 2021

**Fiscal Year 2021**

The Office of the Secretary of State did not have any emergency purchases during Fiscal Year 2021.

**Fiscal Year 2020**

**Prevent or Minimize Disruption to Critical State Services**

Voter Registration

The Office of Secretary of State needed immediate assistance with the programming and integration of signature pads at Office facilities for the process of collecting and transmitting voter registration information. Changes to the operation of the signature pads had been requested and the changes needed to be implemented as soon as possible due to the impending election cycle. The Emergency Purchase was entered into with Levi, Ray and Shoup, LLC with an original estimated cost of \$91,080 and an actual final cost of \$37,532.

As further described in the *Independent Accountant's Report on Disclosures Accompanying a State Compliance Examination Report*, the accountants do not express an opinion or any form of assurance on this report component.

STATE OF ILLINOIS  
**OFFICE OF THE SECRETARY OF STATE**  
**ANALYSIS OF OVERTIME AND COMPENSATORY TIME**

For the Fiscal Year Ended June 30,

	2021	2020	2019
<b><u>OPERATIONAL DIVISION</u></b>			
<b>Executive Group</b>			
Overtime Hours Paid	202	126	1
Compensatory Hours Granted	41	84	32
Total	<u>243</u>	<u>210</u>	<u>33</u>
Value of Overtime Hours Paid	\$ 4,958	\$ 3,100	\$ 11
Value of Compensatory Hours Granted	1,024	2,331	839
Total Costs	<u>\$ 5,982</u>	<u>\$ 5,432</u>	<u>\$ 850</u>
<b>General Administrative Group</b>			
Overtime Hours Paid	23,711	18,928	18,319
Compensatory Hours Granted	3,281	7,961	7,786
Total	<u>26,992</u>	<u>26,889</u>	<u>26,105</u>
Value of Overtime Hours Paid	\$ 1,080,577	\$ 842,375	\$ 824,534
Value of Compensatory Hours Granted	113,143	295,971	290,822
Total Costs	<u>\$ 1,193,720</u>	<u>\$ 1,138,346</u>	<u>\$ 1,115,356</u>
<b>Motor Vehicle Group</b>			
Overtime Hours Paid	47,691	45,343	43,339
Compensatory Hours Granted	20,774	19,431	21,057
Total	<u>68,465</u>	<u>64,774</u>	<u>64,396</u>
Value of Overtime Hours Paid	\$ 1,288,681	\$ 1,523,488	\$ 1,268,307
Value of Compensatory Hours Granted	508,057	456,224	495,811
Total Costs	<u>\$ 1,796,738</u>	<u>\$ 1,979,711</u>	<u>\$ 1,764,118</u>
<b>GRAND TOTAL - ENTIRE AGENCY</b>			
Overtime Hours Paid	71,604	64,397	61,658
Compensatory Hours Granted	24,097	27,476	28,876
Total	<u>95,701</u>	<u>91,873</u>	<u>90,535</u>
Value of Overtime Hours Paid	\$ 2,374,216	\$ 2,368,964	\$ 2,092,852
Value of Compensatory Hours Granted	622,224	754,527	787,471
Total Costs	<u>\$ 2,996,440</u>	<u>\$ 3,123,491</u>	<u>\$ 2,880,323</u>

As further described in the *Independent Accountant's Report on Disclosures Accompanying a State Compliance Examination Report*, the accountants do not express an opinion or any form of assurance on this report component.