



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

STATE COMPLIANCE EXAMINATION

For the Two Years Ended June 30, 2023

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, 2023

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STATE OF ILLINOIS
OFFICE OF THE SECRETARY OF STATE
STATE COMPLIANCE EXAMINATION
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AGENCY OFFICIALS

Secretary of State (7/1/21 – 1/8/23)	The Honorable Jesse White
Secretary of State (1/9/23 – Present)	The Honorable Alexi Giannoulias
Deputy Secretary of State/Chief of Staff (7/1/21 – 1/8/23)	Mr. Thomas N. Benigno
Deputy Secretary of State (1/9/23 – Present)	Ms. Hanah Jubeh
Deputy Secretary of State (1/9/23 – Present)	Mr. Scott Burnham
Director of Internal Audit	Ms. Stell Mallios
General Counsel (7/1/21 – 1/8/23)	Ms. Irene Lyons
General Counsel (1/9/23 – Present)	Mr. Rob Gamrath
Inspector General	Mr. Paul Thompson
Director of Budget and Fiscal Management/Chief Fiscal Officer (7/1/21 – 2/28/23)	Ms. Jacqueline Price
Director of Budget and Fiscal Management/Chief Fiscal Officer (3/1/23 – Present)	Ms. Amanda Trimmer
Director of Accounting Revenue (7/1/21 – 11/30/22)	Mr. John Grzymiski
Director of Accounting Revenue (Acting) (12/1/22 – 6/4/23)	Mr. Adam Ausmus
Director of Accounting Revenue (6/5/23 – Present)	Ms. Dana Homer

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

115 S. LaSalle St., Suite 300
Chicago, Illinois 60603

MANAGEMENT ASSERTION LETTER - STATE COMPLIANCE EXAMINATION



OFFICE OF THE SECRETARY OF STATE

ALEXI GIANNOULIAS ● Secretary of State

MANAGEMENT ASSERTION LETTER

March 29, 2024

Sikich LLP
3051 Hollis Dr., 3rd Floor
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, 2023. Based on this evaluation, we assert that during the years ended June 30, 2022 and June 30, 2023, 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 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

Alexi Giannoulis, Secretary of State

SIGNED ORIGINAL ON FILE

Amanda Trimmer, Director of Budget and Fiscal Management/Chief Fiscal Officer

SIGNED ORIGINAL ON FILE

Rob Gamrath, General Counsel

STATE OF ILLINOIS
OFFICE OF THE SECRETARY OF STATE
 STATE COMPLIANCE EXAMINATION
 For the Two Years Ended June 30, 2023

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, disclaimers, or other significant non-standard language.

SUMMARY OF FINDINGS

Number of	<u>Current Report</u>	<u>Prior Reports</u>
Findings	12	15
Repeated findings	8	6
Prior recommendations implemented or not repeated	7	7

SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
Current Findings				
2023-001	11	2022/ 2020	Inaccurate Census Data	Noncompliance and Significant Deficiency
2023-002	14	NEW	Noncompliance with Business Corporation Act of 1983	Noncompliance and Significant Deficiency
2023-003	16	NEW	Noncompliance with Vehicle Code	Noncompliance and Significant Deficiency

STATE OF ILLINOIS
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SCHEDULE OF FINDINGS (Continued)

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
Current Findings				
2023-004	18	2021/ 2019	Weakness Related to Property and Equipment	Noncompliance and Significant Deficiency
2023-005	21	2021/ 2021	Noncompliance with Fiscal Control and Internal Auditing Act	Noncompliance and Significant Deficiency
2023-006	23	2021/ 2021	Computing Environment Weaknesses	Noncompliance and Significant Deficiency
2023-007	26	2021/ 2019	Inadequate Controls Over the Review of Internal Controls over Service Providers	Noncompliance and Significant Deficiency
2023-008	29	2021/ 2021	Inadequate Controls Over User Access	Noncompliance and Significant Deficiency
2023-009	32	2021/ 2013	Weaknesses with Payment Card Industry Data Security Standards	Noncompliance and Significant Deficiency
2023-010	34	NEW	Inadequate Controls over Stickers	Noncompliance and Significant Deficiency
2023-011	36	NEW	Inadequate Controls over Vehicle Administration	Noncompliance and Significant Deficiency
2023-012	38	2021/ 2021	Weaknesses in Cybersecurity Programs and Practices	Noncompliance and Significant Deficiency

STATE OF ILLINOIS
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 For the Two Years Ended June 30, 2023

SCHEDULE OF FINDINGS (Continued)

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
Prior Findings Not Repeated				
A	41	2021/ 2021	Inadequate Controls over Change Management	
B	41	2021/ 2019	Noncompliance with the Election Code	
C	41	2021/ 2021	Noncompliance with the Secretary of State Act	
D	41	2021/ 2021	Noncompliance with the State Library Act	
E	42	2021/ 2019	Inaccurate Agency Fee Imposition Reports	
F	42	2021/ 2021	Failure to Timely Administer Performance Evaluations	
G	42	2021/ 2021	Disaster Recovery Plan Weaknesses	

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Office personnel at an exit conference on March 13, 2024.

Attending were:

Office of the Secretary of State

Amanda Trimmer	Director, Budget and Fiscal Management/Chief Fiscal Officer
Doug Barringer	GAAP Coordinator
Steve Roth	Director, Personnel
Stell Mallios	Chief Internal Auditor
David Addis	Internal Audit
Mike Standley	Director, Information Technology

STATE OF ILLINOIS
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Office of the Secretary of State (Continued)

Chad Leonard	Deputy Director, Information Technology
Hanah Jubeh	Deputy Secretary
Scott Burnham	Deputy Secretary
Rob Gamrath	General Counsel

Office of the Auditor General

Stephanie Wildhaber	Senior Audit Manager
Sara Metzger	Assistant Director, Financial/Compliance Division

Sikich LLP

Amy Sherwood	Partner
Danielle Caldwell	Senior Manager

The responses to the recommendations were provided by Amanda Trimmer, Director, Budget and Fiscal Management/Chief Fiscal Officer, on March 18, 2024.

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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, 2023. 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 opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

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

In our opinion, the Office complied with the specified requirements during the two years ended June 30, 2023, in all material respects. However, the results of our procedures disclosed 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 2023-001 through 2023-012.

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 the responses.

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.

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 material noncompliance with the specified requirements will not be prevented, or detected and corrected, on a timely basis. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. We did not identify any deficiencies in internal control that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings as items 2023-001 through 2023-012 that we consider 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
March 29, 2024

STATE OF ILLINOIS
OFFICE OF THE SECRETARY OF STATE
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2023

2023-001 **FINDING** (Inaccurate Census Data)

The Office of the Illinois Secretary of State (Office) had certain deficiencies in their internal control to ensure accurate census data was provided to the State Employees' Retirement System of Illinois (System) for use in the applicable annual actuarial valuations.

Census data is demographic data (date of birth, gender, years of service, etc.) of the active, inactive, or retired members of a pension or other postemployment benefit (OPEB) plan. The accumulation of inactive or retired members' census data occurs before the current accumulation period of census data used in the plan's actuarial valuations (which eventually flows into each employer's financial statements), meaning the plan is solely responsible for establishing internal controls over these records and transmitting this data to the 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 pension plan administered by the System and the State Employees Group Insurance Program (SEGIP) sponsored by the State of Illinois which includes OPEB. In addition, we noted these plans have characteristics of different types of pension and OPEB plans, including single employer plans and cost-sharing multiple-employer plans.

During the performance of the OPEB census examination (covering data as of June 30, 2021, used in the June 30, 2022 OPEB actuarial valuation, for use in the employer's June 30, 2023 financial statements), it was identified that:

- During backwards testing, the auditors identified one of sixty (2%) employees included on Office payroll reports with an incorrect date of birth.
- The Office had not performed an initial complete reconciliation of its census data recorded by the System and State to its internal records to establish a base year of complete and accurate census data.

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

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

STATE OF ILLINOIS
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For the Two Years Ended June 30, 2023

2023-001 **FINDING** (Inaccurate Census Data) (Continued)

- During the review of the Office's reconciliation of its census data recorded by the System and State to its internal records, it was noted that, as of March 2023, the reconciliation had not yet been communicated to the System.

The result of the errors in each of the first bullets above led to inaccurate census data being utilized by the System and the State in the performance of the annual pension and OPEB actuarial valuation processes. The independent actuaries utilized by the System and the State of Illinois for the pension and OPEB plans deemed the error immaterial to the plan level valuations as a whole.

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 (AAGSLG) (§ 13.177 for pensions and § 14.184 for OPEB) notes the determination of net pension/OPEB liability, pension/OPEB expenses, 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.

Further, the Fiscal Control and Internal Auditing Act (30 I LCS 10/3001) requires the Office establish and maintain a system, or systems, of internal fiscal and administrative control 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 these exceptions were due to oversight.

STATE OF ILLINOIS
OFFICE OF THE SECRETARY OF STATE
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For the Two Years Ended June 30, 2023

2023-001 **FINDING** (Inaccurate Census Data) (Continued)

Failure to ensure census data reported to the System was complete and accurate may result in significant misstatements of the Office's financial statements and reduce the overall accuracy of System-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 the System to the Office's records in a timely manner 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. 2023-001, 2022-001, 2021-002, 2020-002)

RECOMMENDATION

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

OFFICE RESPONSE

The Office accepts this recommendation. For the OPEB related issues, the Office did perform the reconciliation of census data but the System was miscalculating some of the Office's employee data. The Office believes the problem has been found and will continue to work with the System to perform future reconciliations. For the pension related issues, the Office did perform the reconciliation of census data but it was inadvertently sent late. The Office will strengthen its internal controls to meet the deadlines and continue to work with the System to perform future reconciliations.

STATE OF ILLINOIS
OFFICE OF THE SECRETARY OF STATE
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2023

2023-002 **FINDING** (Noncompliance with Business Corporation Act of 1983)

The Office of the Illinois Secretary of State (Office) was not in compliance with the provisions of the Business Corporation Act of 1983 (805 ILCS 5/8.12(c)(5) and (c)(6)) (Act) regarding reporting the self-identified sexual orientation and self-identified gender of its board of directors.

During our testing of the Act, we noted the following exceptions:

- Five of 12 (42%) corporations tested did not disclose the self-identified sexual orientation of their board of directors.
- One of 12 (8%) corporations tested did not report the self-identified gender of each member of its board of directors.

The Act states as soon as practical after August 27, 2019 (the effective date of Public Act 101-589), but no later than January 1, 2021, the following information shall be provided in the corporation's annual report submitted to the Secretary of State under this Act and made available by the Secretary of State to the public online as it is received....where the corporation is a publicly held domestic or foreign corporation with its principal executive office located in Illinois, the self-identified sexual orientation and gender identity of each member of its board of directors.

Office management indicated the exceptions occurred due to insufficient document control strategies and human error.

Failure to disclose the self-identified gender and sexuality the members of a corporation in Illinois negates the General Assembly's push to encourage companies to have more women, minorities, and LGBTQ people in positions of corporate authority. If corporations are not reporting this data, the Office and the General Assembly have incomplete data to determine that companies are increasing the representation of these individuals as directors which is said the help boost the Illinois economy, improve opportunities for women, minorities, and LGBTQ people in the workplace, and foster an environment in Illinois where the business community is representative of their residents. (Finding Code No. 2023-002)

RECOMMENDATION

We recommend the Office comply with the requirements of the Business Corporation Act of 1983 and ensure corporations report the self-identified sexual orientation and self-identified gender of their board of directors.

STATE OF ILLINOIS
OFFICE OF THE SECRETARY OF STATE
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2023

2023-002 **FINDING** (Noncompliance with Business Corporation Act of 1983) (Continued)

OFFICE RESPONSE

The Office agrees with the finding. However, with respect to complying with the Business Corporation Act, the Office has since updated how self-identified information is collected on its corporate annual report to more easily determine when required information is omitted by the filer and ensure compliance with the Business Corporation Act of 1983.

STATE OF ILLINOIS
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2023-003 **FINDING** (Noncompliance with Vehicle Code)

The Office of the Illinois Secretary of State (Office) has not implemented an electronic lien and title (ELT) system under the provisions of the Illinois Vehicle Code (625 ILCS 5/3 100.1 thru 5/3-100.2) (Code).

During the engagement period, the Office had not yet implemented the ELT system. Office management indicated all standards and procedures for the establishment of operation of the ELT system are currently in development, but have not yet been solidified and not yet adopted in administrative rule.

The Code (625 ILCS 5/3-100.1) requires that not later than July 1, 2022, the Secretary of State shall implement, manage, and administer an electronic lien and title system that will permit a lienholder to perfect, assign, and release a lien under this code. The Secretary shall establish by administrative rule the standards and procedures relating to the management and implementation of the mandatory electronic lien and title system established under this code. The Code (625 ILCS 5/3-100.2) also requires that no later than July 1, 2022, the Secretary needs to establish an electronic access agreement with submitters under the ELT systems policy and follow the guidelines outlined in the Code.

Office management indicated the ELT system is currently in development and was not ready to be implemented by July 1, 2022 due to competing priorities and changeover to the new administration.

Failure to implement an ELT system can prevent the authorized use of electronic records by the Office. Electronic records accepted by the Office have the same force and effect as records created on paper by writing, typing, printing, or similar means. The procedures established by the Office concerning the acceptance of electronic filings and electronic records will ensure that the records and filings are received and stored accurately and are readily available to satisfy any statutory requirements that call for written record. Without the implementation of this system, the Office could improperly file and store electronic records required for statutory use. Additionally, licensees may submit improper documentation since the Office has failed to implement the ELT system guidelines in a timely manner. (Finding Code No. 2023-003)

RECOMMENDATION

We recommend the Office comply with the requirements of the Code and ensure the ELT system is developed and implemented promptly.

STATE OF ILLINOIS
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SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2023

2023-003 **FINDING** (Noncompliance with Vehicle Code) (Continued)

OFFICE RESPONSE

The Office agrees with the finding. However, the new administration has taken steps to ready the program for launch this year. The General Assembly approved new legislation in 2019 for the Office to create an Electronic Lien and Title (ELT) program and implement it statewide; however, the previous administration delayed its launch. The new administration made developing and implementing the program a priority and within weeks of taking office in 2023, the Office issued a Request for Proposal (RFP) to implement an ELT system, securing service providers to record, assign and release liens. A subsequent RFP was issued in calendar year 2023 to secure a gateway provider. The Office is currently conducting testing and programming of the system and coordinating the development of the program with vendors. In addition, the Administrative Rules needed for ELT have been filed with the Joint Committee on Administrative Rules. The program will launch this year.

STATE OF ILLINOIS
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SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2023

2023-004 **FINDING** (Weakness Related to Property and Equipment)

The Illinois Office of the 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.

- There were nine of forty (23%) items of property and equipment tested that were not added to property acquisition records in a timely manner as required by the Illinois Administrative Code (44 Ill. Admin. Code 5010.400). The assets were added 20 to 581 days late, and the total value of the items was \$339,957. These assets were items such as vehicle two-way radios, an all-band mobile radio system, a dual-controller base array system, Secure Access Service Edge (SASE) framework hardware, a Xerox scanner, and SUVs.

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.

- During our testing of property inventory for our twelve site visits to the Office's drivers' facilities during fieldwork, there was one of 120 items (1%) that was listed on the Office's property records that was unable to be located physically at one of the facilities. This item was a Verifone Credit Card Reader.

The State Property Control Act (30 ILCS 605/4) requires responsible officers of the State to maintain accountability for the supervision, control, and inventory of all property under their jurisdiction to ensure the proper accounting and safeguarding of State assets. The Statewide Accounting Management System (SAMS) (Procedure 29.10.10) requires the Office to retain detailed records including the organization unit charged with the custody of each item, as well as the location of each item of property and equipment controlled by the Office.

- During our testing of the Office's preparation of the Agency Report of State Property (C-15), we noted errors in four of eight (50%) quarters tested. The specific errors noted were:
 - For the first quarter of Fiscal Year 2023, equipment deletions reported on the Office's C-15 of \$792,526 did not agree to the Office's property records which were \$696,253. As a result, the Office's C-15 for the first quarter of Fiscal Year 2023 was overstated by \$96,273.

STATE OF ILLINOIS
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For the Two Years Ended June 30, 2023

2023-004 **FINDING** (Weakness Related to Property and Equipment) (Continued)

- For the second quarter of Fiscal Year 2023, the following errors were noted:
 - Building additions reported on the Office's C-15 of \$447,907 did not agree with the Office's property records which were \$577,559. As a result, the Office's C-15 for the second quarter of Fiscal Year 2023 was understated by \$129,652.
 - Equipment additions reported on the Office's C-15 of \$977,487 did not agree with the Office's property records which were \$976,843. As a result, the Office's C-15 for the second quarter of Fiscal Year 2023 was overstated by \$644.
 - The overall net effect of these errors on the Office's C-15 for the second quarter of Fiscal Year 2023 was that it was understated by \$129,008.

- For the third quarter of Fiscal Year 2023, the following errors were noted:
 - Building additions reported on the Office's C-15 of \$180,198 did not agree with the Office's property records which were \$213,403. As a result, the Office's C-15 for the third quarter of Fiscal Year 2023 was understated by \$33,205.
 - Equipment additions reported on the Office's C-15 of \$2,176,883 did not agree with the Office's property records which were \$2,176,982. As a result, the Office's C-15 for the third quarter of Fiscal Year 2023 was understated by \$99.
 - The overall net effect of these errors on the Office's C-15 for the third quarter of Fiscal Year 2023 was that it was understated by \$33,304.

- For the fourth quarter of Fiscal Year 2023, the following errors were noted:
 - Building additions reported on the Office's C-15 of \$176,131 did not agree with the Office's property records which were \$161,401. As a result, the Office's C-15 for the fourth quarter of Fiscal Year 2023 was overstated by \$14,730.
 - Equipment additions reported on the Office's C-15 of \$593,029 did not agree with the Office's property records which were \$596,937. As a result, the Office's C-15 for the fourth quarter of Fiscal Year 2023 was understated by \$3,908.
 - The overall net effect of these errors on the Office's C-15 for the fourth quarter of Fiscal Year 2023 was that it was overstated by \$10,822.

STATE OF ILLINOIS
OFFICE OF THE SECRETARY OF STATE
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For the Two Years Ended June 30, 2023

2023-004 **FINDING** (Weakness Related to Property and Equipment) (Continued)

Finally, this finding was first noted during the Office's Fiscal Year 2018-Fiscal Year 2019 State compliance examination, four years ago. As such, Office management has been unsuccessful in implementing a corrective action plan to remedy this deficiency.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all 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 indicated that the exceptions noted were due to human error either by employees not entering or deleting property record information correctly, timing delays on receiving paid voucher information, or by simple miscalculations.

Inaccurate property reporting reduces the reliability of statewide property information. Failure to maintain accurate property control records increases the potential for fraud and possible loss or theft of State property. In addition, failure to properly update property acquisition records is noncompliance with the Illinois Administrative Code and increases the risk of inaccurate recordkeeping. (Finding Code No. 2023-004, 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 statutes and the Illinois Administrative Code.

OFFICE RESPONSE

The Office agrees with the finding. However, the new administration has since overhauled the Office's procedures and reformed its policies and now requires new employees to receive training on accessing the Office's voucher system to prevent any delays in receiving data related to additional equipment. Per new Comptroller guidelines, the Office has raised the threshold for adding inventory into its property control system to ensure a higher degree of accuracy and eliminate potential issues. The Office also added a secondary level of data review on the C-15 submissions to provide further oversight and quality controls. It will continue to evaluate, review, and monitor its compliance with mandated property control requirements.

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2023-005 **FINDING** (Noncompliance with Fiscal Control and Internal Auditing Act)

The Illinois 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.

During our review, we noted that there were a couple of major new electronic data processing systems installed during the engagement period (the Office implemented Microsoft Office 365 GCC across their entire information technology network during the engagement period and also installed a non-mainframe backup system called Commvault during Fiscal Year 2022) that contained critical, financially sensitive, or confidential data. We also noted there were several changes that occurred to significant applications, like the Accounting Revenue System and the International Registration Plan application, during Fiscal Years 2022 and 2023.

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 that due to staffing issues, Internal Audit did not perform reviews of the design of major new electronic data processing systems and major modifications of those systems prior to installation.

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 and irregularities do not go undetected. (Finding Code No. 2023-005, 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.

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2023-005 **FINDING** (Noncompliance with Fiscal Control and Internal Auditing Act)
(Continued)

OFFICE RESPONSE

The Office agrees with the finding. However, after taking office, the new administration made it a priority to increase staff in its Internal Audit Department. It hired a new Information Technology Auditor in June 2023 and has since implemented reviews for new electronic data processing systems before installation and major modifications for existing systems, as required by the Fiscal Control and Internal Auditing Act.

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2023-006 **FINDING** (Computing Environment Weaknesses)

The Illinois 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 and the Office processed and maintained critical and confidential information within these applications.

During our testing of the Office's patches to their computing environment, the Office could not provide us with a listing of all patches that were installed and applied during the engagement period for five of thirteen (38%) servers in our sample. Since the Office could not provide us with any patch support, we could not determine if these servers were up to date with the latest security patches. Additionally, we were unable to test whether patches were installed and applied to these servers within a reasonable amount of time.

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, details in the "System and Information Integrity" section and in the "System and Communications Protection section how it is required for entities to develop system and integrity policies and procedures, to install software and firmware patches, to test patches before installing, to incorporate patches into their configuration management process, to implement malicious code (antivirus) protection mechanisms, and to protect confidentiality and integrity 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.

Office management indicated that the exception noted was due to the servers' operating systems being end of life, which means there were no patches available to install or apply during the engagement period.

Failure to have adequate security controls over the Office's computing environment increases the risk of unauthorized access and the confidentiality, integrity, and availability of systems and data will be compromised. (Finding Code No. 2023-006, 2021-016)

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2023-006 **FINDING** (Computing Environment Weaknesses) (Continued)

RECOMMENDATION

We recommend the Office ensure that all servers within the Office’s computing environment whose operating system is end-of-life be updated to a current version. We also recommend that after updating all end-of-life servers, that the Office ensures that the operating systems are updated to the most current security patches available.

OFFICE RESPONSE

The Office agrees with the finding. However, the Office has – since the discovery of this finding –implemented technical controls that apply security patches to vendor-supported systems following the guidelines outlined in the approved patch management lifecycle policy. In addition, the Office has engaged technical experts to expedite the decommissioning and/or modernization of the remaining end-of-life systems to ensure compliance with existing patch management policies.

In pursuit of this goal to achieve 100 percent compliance, the efforts to patch, upgrade and replace our server infrastructure to ensure a safe and secure computing environment have created a real and measurable impact on the priorities of the Office and the people it serves.

During the previous audit cycle, it was estimated that approximately 40 percent of the servers were up to date with the latest security patches, leaving the Office and customers vulnerable to myriad hazards. However, in the first 12 months of the new administration, the Office has more than doubled the number of up-to-date servers.

As of today, over 80 percent of the 472 servers that the Office of the Illinois Secretary of State utilizes are compliant with the updated administration’s patch management policy that calls for the latest security protocols to protect our computing environment. The remainder of the servers (45) are scheduled to be brought into compliance no later than the end of March 2024.

The new protocols the Office adopted to achieve this dramatic increase include:

1. Consolidating server-based operating system (OS) management to our Server Support team to provide a single point of responsibility for server maintenance (previously the management of servers was dispersed and delegated to individual application owners);
2. Drafting and implementing realistic, updated patch management policies and procedures to ensure our computing environment continues to be protected.

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2023-006 **FINDING** (Computing Environment Weaknesses) (Continued)

3. Utilizing vendors for patch management of servers to allow system administrators to patch all systems from a centralized console versus the previous approach of doing so at the individual server level;
4. Implementing the Plan of Action and Milestone (POA&M) to phase out the End of Life (EOL) and non-compliant servers. The POA&M targets all EOL servers to be upgraded, migrated or retired this spring.

This undertaking demonstrates the administration's persistent commitment to safeguard Illinoisans' data and ensure uninterrupted operation of the critical processes and services the Office provides.

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2023-007 **FINDING** (Inadequate Controls Over the Review of Internal Controls over Service Providers)

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

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

During our testing over external service providers utilized by the Office in Fiscal Year 2022, we noted the contracts for two of seven (29%) external service providers did not contain a requirement for an independent internal control review or System and Organization Control (SOC) reports to be completed.

During our testing over external service providers utilized by the Office in Fiscal Year 2023, we noted the following exceptions:

- The contracts for one of seven (14%) external service providers did not contain a requirement for an independent internal control review or SOC reports to be completed.
- For one of seven (14%) external service providers, the Office did not obtain a SOC report or a Bridge Letter that covers the entire examination period. The period from October 1, 2022, to April 5, 2023, was not covered by a SOC report or a Bridge Letter.
- The Office did not have a formal methodology for identifying service providers.

Finally, this finding was first noted during the Office's Fiscal Year 2018-Fiscal Year 2019 State compliance examination, four years ago. As such, Office management has been unsuccessful in implementing a corrective action plan to remedy this deficiency.

The National Institute of Standards and Technology (NIST), Special Publication 800-35, *Guide to Information Technology Security Services*, 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.

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2023-007 **FINDING** (Inadequate Controls Over the Review of Internal Controls over Service Providers) (Continued)

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all 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 external service providers.

Office management indicated the contracts in question are multi-year contracts and no modifications have been made to them since this exception was originally drafted. Furthermore, Office management indicated the remaining issues noted were a result of competing priorities which created oversight.

Without having obtained and reviewed a SOC Report or another form of independent internal control review, the Office does not have assurance the external service providers' internal controls are adequate to ensure personal information is secure. The inclusion of the requirement in the contract to obtain a SOC report is the Office's mechanism to ensure the independent internal control review is performed. Additionally, the Office's failure to obtain bridge letters from service providers when the SOC report does not cover the entire engagement period and not developing a formal methodology for identifying service providers exposes it to additional risks. (Finding Code No. 2023-007, 2021-010, 2019-010)

RECOMMENDATION

We recommend the Office:

- Review contracts with service providers to ensure applicable requirements over the independent review of internal controls are included.
- Obtain bridge letters from service providers when the SOC report does not cover the entire engagement period.
- Develop a formal methodology for identifying service providers.

OFFICE RESPONSE

The Office agrees with the finding. However, the Office's Department of Information Technology (DoIT) now works alongside the General Counsel's Office to make sure language is in agreement with third party providers related to the outsourcing of certain information systems.

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2023-007 **FINDING** (Inadequate Controls Over the Review of Internal Controls over Service Providers) (Continued)

As a result, the Office instituted new requirements and established new security standards to ensure outside service providers comply with office policies to uphold the confidentiality, integrity and availability of its systems and close loopholes that present risks. The Office also initiated legislation this year to make it illegal for service providers to sell or share Office data with another party without the knowledge or approval of the Office; misrepresent their identity or to make a false statement to obtain Office data; knowingly disclose or provide personal identifiable information (PII) to any person who is not authorized to receive PII; or use Office data for a reason that has not been authorized through the access agreement.

DoIT will continue to review, maintain, and track SOC reports as well as ascertain if all requirements are followed.

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2023-008 **FINDING** (Inadequate Controls Over User Access)

The Illinois Office of the Secretary of State (Office) has not established adequate controls for accessing its computing environment.

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

During our testing, we noted:

- Users retained access to the application after they no longer needed the access for four of nine (44%) significant applications.
- The Office did not conduct an annual review of user access rights for three of nine (33%) significant applications.
- Twelve of 60 (20%) staff interviewed had access rights that did not align with job duties.
- The Office's Access control policy did not document the requirements for requesting access and modifications to access.

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.

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2023-008 **FINDING** (Inadequate Controls Over User Access) (Continued)

Furthermore, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all 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.

The Office stated the exceptions noted were due to lack of communication between departments on informing the other when employees separate with the Office or changed duties.

Adequate access controls reduce the risk of private data being made available to individuals with malicious motives. (Finding Code No. 2023-008, 2021-011)

RECOMMENDATION

We recommend the Office implement controls to ensure access to its applications and data is appropriate. Specifically, we recommend the Office:

- Ensure access rights are timely terminated.
- Conduct annual review of users' access rights.
- Ensure users only have access to applications as required by their job duties.
- Ensure the control policy documents the requirements for requesting access and modifications to access.

OFFICE RESPONSE

The Office agrees with the finding. However, the Office has launched an agency-wide Security Liaison program, which has brought it into compliance.

In pursuit of this goal, the classification, handling, and secure disposal of information on all media is of critical importance. The aforementioned launch of the Security Liaison program is a cornerstone of ensuring the agency's security policies related to Data Classification, Handling and Retention are consistently enforced across the agency. This strategic position aims to enhance communication, collaboration, and coordination within the agency. Access reviews, initiated under the Chief Information Security Officer's guidance, are currently in progress.

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2023-008 **FINDING** (Inadequate Controls Over User Access) (Continued)

Security Liaisons across each of the agency's department were assigned the following responsibilities as they relate to Data Classification, Handling and Retention, including:

1. Act as the departmental point person for all security related questions from staff or Department of Information Technology (DoIT) security officers.
2. Know Office security policies and programs that affect their department.
3. Report any alleged security compliance issues or violations to the Security Administrator.
4. Actively participate in annual data classification study & risk assessments.
5. Actively promote security awareness throughout their department.
6. Provide feedback and suggestions to the DoIT Security Administrator regarding implementation and maintenance of the Office security program.

DoIT works with the User Departments to verify the completeness and accuracy of their user populations. DoIT also works with the User Departments to develop annual access reviews and develop and implement access provisioning policies to ensure access rights are approved, disabled timely and periodically reviewed.

This undertaking demonstrates the administration's persistent commitment to safeguard Illinoisans' data.

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2023-009 **FINDING** (Weaknesses with Payment Card Industry Data Security Standards)

The Illinois Office of the Secretary of State (Office) did not fully comply with Payment Card Industry Data Security Standards (PCI DSS).

The Office accepted credit card payments for a variety of transactions. These transactions included license and fees sales from the Vehicle Services and Driver Services Departments and the filing fees of articles of incorporation, annual reports, etc., from the Business Services Department. During Fiscal Year 2022, the total number of transactions was 6,669,174, totaling \$726,700,701. During Fiscal Year 2023, the total number of transactions was 6,936,560, totaling \$763,372,824.

During our testing, we noted that the Office was unable to provide support for completion of Security Awareness training for twelve of 127 (9%) individuals who had access to cardholder data.

Finally, this finding was first noted during the Office's Fiscal Year 2012-Fiscal Year 2013 State compliance examination, eleven years ago. As such, Office management has been unsuccessful in implementing a corrective action plan to remedy this deficiency.

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 exception was due to employee oversight.

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. 2023-009, 2021-013, 2019-009, 2017-004, 2015-004, 2013-007)

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2023-009 **FINDING** (Weaknesses with Payment Card Industry Data Security Standards)
(Continued)

RECOMMENDATION

We recommend the Office ensure that all Office employees who have access to cardholder data complete the Security Awareness training annually, as required by PCI DSS.

OFFICE RESPONSE

The Office agrees with the finding. However, the Office revised its internal processes in 2023 to ensure that all compliance training is conducted promptly. This training is now provided to all personnel, ensuring adherence to all relevant laws and regulations. By implementing these updates, the Office will maintain a higher standard of compliance across the organization and believe we have achieved the goal of 100 PCI DSS compliance.

Since taking office, the new administration has focused on cybersecurity, especially when it comes to individual employees, 91 percent of whom comply at the time of the audit, with the remaining employees, with 100 percent achieved in early 2024.

The Department of Information Technology (DoIT) develops annual Security Awareness training, which includes PCI credit card and personal identifiable information (PII) handling training, taking the following actions:

- Notify Office employees who have not completed the required PCI credit card and PII handling training via their Department's Personnel Liaison.
- Deliver weekly follow-up communications to Department Liaisons whose Office employees remain noncompliant, escalating in coordination with DoIT's policy manual.
- Implement proactive and centralized monitoring of training compliance under DoIT's Governance, Risk and Compliance function, which is being established as a result of ongoing modernization initiatives. This function will drive 100 percent proactive compliant PCI credit card and PII handling training moving forward.
- Additionally, the Department developed and implemented screen saver training in October 2024. The training rotates through the screen saver on every employee's desktop and augments the Annual Security Awareness Training.

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2023-010 **FINDING** (Inadequate Controls over Stickers)

The Illinois Office of the Secretary of State (Office) did not demonstrate adequate controls over sticker counts at various locations during the engagement period.

During fieldwork we tested sticker counts at twelve driver services facilities which are identified below. We noted the following exceptions at seven (58%) facilities as a result of our testing:

Facility	Description	Count Difference	Sticker Year
Chicago Public Service	Sticker counts did not agree with inventory records – count records overstated.	70	2023
West Chicago	Sticker counts did not agree with inventory records – count records overstated.	122	2023
West Chicago	Sticker counts did not agree with inventory records – count records overstated.	980	2024
Springfield Klein	Sticker counts did not agree with inventory records – count records overstated.	15,182	2023
Granite City	Sticker counts did not agree with inventory records – count records overstated.	5,361	2023
Pekin	Sticker counts did not agree with inventory records – count records overstated.	7,361	2023
Hillsboro	Sticker counts at facility did not agree with inventory records – inventory records overstated.	19	2023

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) (Act) requires all State agencies to establish and maintain internal controls to safeguard assets against loss, unauthorized use, and misappropriation. It also requires State agencies to establish and maintain a system 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. Good internal control procedures require that control records over significant inventory items be accurately maintained.

Office management indicated the exceptions noted were a result of human error.

Inaccurate inventory records reduce the reliability of statewide inventory information. Failure to maintain accurate inventory records increases the potential for fraud and possible loss or theft of State assets. (Finding Code No. 2023-010)

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2023-010 **FINDING** (Inadequate Controls over Stickers) (Continued)

RECOMMENDATION

We recommend the Office monitor and evaluate the internal controls in place to ensure the Office's inventory records are accurate and complete.

OFFICE RESPONSE

The Office agrees with the finding. However, the Vehicle Services Department was forced to obtain a different type of sticker in 2022-23 to comply with its statutory requirement to issue registration. The stickers were delivered in rolls, and the quantity on the rolls varied. This made it difficult to track inventory properly. The Vehicle Services Department returned to using the ON-Demand sticker process at the beginning of 2023 for 2024 stickers and updated its procedures to ensure facility to facility transfers are recorded at a central point, enabling the Office to monitor and track inventory 24-7 and to ensure accurate inventory counts at all locations. The Office will continue to review and monitor the internal control procedures and add additional safeguards to ensure compliance with policies and procedures.

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2023-011 **FINDING** (Inadequate Controls over Vehicle Administration)

The Illinois Office of the Secretary of State (Office) did not ensure vehicles were properly maintained.

We tested 25 of the 459 (5%) total Office vehicles, including 16 general motor vehicles and nine police vehicles. We noted the following exceptions:

- Eight of 25 (32%) vehicles tested for proper vehicle maintenance did not have oil changes performed in accordance with the Offices guidelines. The eight vehicles that were not properly maintained had untimely oil changes based on the numbers of miles driven from the previous oil change ranging from 1,211 to 12,255 miles past due.
- Per Office policy, all police vehicles are required to have a brake inspection every tire rotation. One of nine (11%) police vehicles tested only had their brakes inspected twice for the last six tire rotations.

The Illinois Administrative Code (44 Ill. Admin. Code 5040.400) requires all State-owned or leased vehicles to undergo regular service and/or repair in order to maintain the vehicles in road worthy, safe, operating condition and appropriate cosmetic condition. Drivers should check oil, coolant, and battery water levels (if possible) regularly. Under the Office's Vehicle Usage Program, outlined on the Office's website, oil changes are to be performed every 5,000 miles or annually if the vehicle might not reach 5,000 miles for general motor vehicles. Tire rotation and oil changes should occur at 5,000 miles. For Police vehicles, the oil is required to be changed every 3,000-5,000 miles for regular oil and every 4,000-6,000 miles for synthetic oil. Tire rotations are required every 4,000-6,000 miles, or every other oil change. Brake inspection check is required at every tire rotation for general motor and Police vehicles.

Office management indicated these exceptions occurred due to human error.

Failure to adequately maintain vehicles may result in additional cost to the State through additional repairs and shortened useful lives of the vehicles. (Finding Code No. 2023-011)

RECOMMENDATION

We recommend the Office ensure the agency is maintaining vehicles as required by the Illinois Administrative Code and the Office's Vehicle Usage Program.

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2023-011 **FINDING** (Inadequate Controls over Vehicle Administration) (Continued)

OFFICE RESPONSE

The Office agrees with the finding. However, the department that oversaw the motor pool was previously operated independently with little supervision from the Executive Office. In 2023, the Department of Physical Services and a Deputy Director were put in place to oversee its operations. To better track and monitor vehicle maintenance, the Office is procuring a fleet management software solution that will have the capabilities to streamline in-house maintenance eliminating the need for spreadsheets and the manual input and tracking of information. Furthermore, the Office completed an assessment of the number of vehicles in the overall fleet and is eliminating vehicles no longer in use or needed. By creating new efficiencies, cutting down travel and eliminating the use of vehicles by employees for personal use, the Office has significantly reduced the size of its fleet.

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2023-012 **FINDING** (Weaknesses in Cybersecurity Programs and Practices)

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

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 of the Office's cybersecurity program, practices and control of confidential information, we noted the Office had not:

- Developed a project management framework to ensure new applications are adequately developed and implemented in accordance with management's expectations.
- Document and define its system development life.
- Conducted a comprehensive risk assessment.
- Provided a complete and accurate population of the security incidents along with documentation of how those incidents were remediated.
- Maintained documentation of vulnerability scans conducted.
- Maintained documentation of vulnerability scanning showing timely remediation of discovered vulnerabilities.
- Classified its data to identify and ensure adequate protection of information.
- Provided sufficient evidence to demonstrate their review or update of 23 of 27 (85%) policies provided within the scope of the examination period.
- Implemented an internal process for the Office's departments to create and submit their procedures and guidelines for review by the Information Security Section as required by Office's Policy Manual, Data Classification & Handling.

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. It also requires entities to develop security controls within their system or organization to protect the confidentiality, integrity, and availability of the system and its information and to manage information security risk.

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2023-012 **FINDING** (Weaknesses in Cybersecurity Programs and Practices) (Continued)

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all 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.

Furthermore, per Chapter 7.7 Data Classification & Handling of the Office's Policy Manual, each Department will develop procedures and guidelines to protect information while it is being processed or stored in either electronic or paper form and they will submit them to the Information Security Section for review.

Office management indicated due to lack of resources under the previous administration, some areas within the cybersecurity program were not managed efficiently. Office management also indicated they disagree with bullets 3, 4, and 8.

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. 2023-012, 2021-014)

RECOMMENDATION

We recommend the Office:

- Develop a project management framework, including system development standards to ensure new applications are adequately developed and implemented in accordance with management's expectations.
- Maintain documentation and define its system development life cycle.
- Conduct a comprehensive risk assessment.
- Maintain a complete and accurate population of the security incidents along with documentation of how those incidents were remediated.
- Maintain documentation of vulnerability scans conducted and timely remediation of discovered vulnerabilities.
- Classify its data to identify and ensure adequate protection of information.
- Ensure policies are reviewed and updated annually.
- Comply with the procedures and processes that they have developed in regard to tracking items with confidential, sensitive, or personally identifiable information, including protecting data from initial acquisition until disposal on both State-owned and State-used media.

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2023-012 **FINDING** (Weaknesses in Cybersecurity Programs and Practices) (Continued)

OFFICE RESPONSE

The Office agrees with the finding. However, the Office is making significant investments and has established its Transformation Office with outside consultants on various modernization initiatives that will integrate these recommendations, especially when it comes to enhancing cybersecurity, protecting personal identifiable information (PII) and mitigating future risk of data breaches.

Along with software upgrades to monitor and detect threats, the Department of Information & Technology (DoIT) is currently deploying Service Now to establish a foundation for compliance. Additionally, it has recruited a Data Systems Administrator to oversee the completion of the data lake project, which aims to guarantee adherence to data regulations.

DoIT worked with 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 was completed, and annual training has begun for the Office. The data lake project will force a review of data and enable classification, Annual Cybersecurity training run on Payment Card Industry, PII, and awareness, e.g., phishing.

STATE OF ILLINOIS
OFFICE OF THE SECRETARY OF STATE
SCHEDULE OF FINDINGS – NOT REPEATED FINDINGS
For the Two Years Ended June 30, 2023

A. **FINDING** (Inadequate Controls over Change Management)

During the prior examination period, the Illinois Office of the Secretary of State (Office) lacked controls over changes to its applications.

During the current examination period, our testing indicated the Office had adequate controls over changes to its applications. (Finding Code No. 2021-003)

B. **FINDING** (Noncompliance with the Election Code)

During the prior examination period, the Office lacked formal written policies for the implementation of the Election Code (10 ILCS 5/1A-16.7(k)).

During the current examination period, we noted the Office formally implemented new policies and procedures in March 2022, to protect the privacy of voter information. We did not note non-compliance with these new policies and procedures during our testing. (Finding Code No. 2021-004, 2019-002)

C. **FINDING** (Noncompliance with Secretary of State Act)

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

During the current examination period, the Senate confirmed the appointment of a permanent Inspector General. (Finding Code No. 2021-005)

D. **FINDING** (Noncompliance with the State Library Act)

During the prior examination period, we noted the Office did not comply with the State Library Act (15 ILCS 320/5) (Act).

During the current examination period, we noted the Office effectively appointed a State Library Committee, which consisted of properly qualified members. We did not note any non-compliance with the Act. (Finding Code No. 2021-006)

STATE OF ILLINOIS
OFFICE OF THE SECRETARY OF STATE
SCHEDULE OF FINDINGS – NOT REPEATED FINDINGS
For the Two Years Ended June 30, 2023

E. **FINDING** (Inaccurate Agency Fee Imposition Reports)

During the prior examination period, the Office had weaknesses in reporting fees collected and other statutory required information on the Agency Fee Imposition Reports filed.

During the current examination period, our sample testing indicated the Office’s reporting of fees collected and other statutory required information on the Agency Fee Imposition Reports filed had significantly improved; however, we continued to note certain smaller, immaterial problems. As such, this matter was reported in the Office’s Report of Immaterial Findings. (Finding Code No. 2021-008, 2019-007)

F. **FINDING** (Failure to Timely Administer Performance Evaluations)

During the prior year examination period, the Office did not timely perform and document performance evaluations.

During the current examination period, our sample testing indicated that the Office had made significant improvements of timely performing and documenting the performance evaluations. The one exception noted was communicated to the Office through the Summary of Uncorrected Misstatements. (Finding Code No. 2021-009)

G. **FINDING** (Disaster Recovery Plan Weaknesses)

During the prior examination period, the Office had not updated its disaster recovery plan and had not developed detailed recovery testing scripts.

During the current examination period, our testing indicated that the Office had updated its Disaster Recovery Plan several times and that the Office had documented their detailed recovery scripts for the recovery of their environment, applications, and data in their Disaster Recovery Procedure Checklist. (Finding Code No. 2021-015)