December 31, 2021

Keely Martin Bosler, Director
California Department of Finance
915 L Street
Sacramento, CA 95814

Dear Director Keely Martin Bosler,

In accordance with the State Leadership Accountability Act (Leadership Accountability), the Secretary of State submits this report on the review of our internal control and monitoring systems for the biennial period ending December 31, 2021.

Should you have any questions please contact Reginald Fair, Deputy Secretary of State, Operations, at (916) 695-1649, rfair@sos.ca.gov.

GOVERNANCE

Mission and Strategic Plan

The Secretary of State, a constitutionally established office, is the chief elections officer of the state and is responsible for the administration and enforcement of election laws. The Office also is responsible for administering and enforcing laws pertaining to filing documents associated with corporations, limited liability companies, partnerships, limited partnerships, unincorporated associations and pertaining to filing bonds and perfecting security agreements. In addition, the Office is responsible for commissioning notaries public, enforcing the notary laws, and in conjunction with being the home of the State Archives, administering a state records management program and preserving documents and records having historical significance. The Secretary of State is the filing officer for lobbying and campaign registration and disclosure documents filed under the Political Reform Act. The Secretary of State also operates the Safe at Home program, maintains the Domestic Partners and Advance Health Care Directives registries, provides support functions for the Voting Modernization Board, and is home to the California Museum.

Policy associated with the administration of the Office is accomplished through the divisions of Elections, Political Reform, Business Programs, Archives, Information Technology, and Management Services.

The California Secretary of State's strategic plan is a ten-year plan for the agency that was developed and adopted under the leadership of Secretary of State, Shirley N. Weber, Ph.D. The objectives in this plan may be updated every other year, in the odd years, within the SLAA report, to allow the organization to be responsive to changing needs of the State and the needs of the public.

Below is the Executive Summary of the 2022-2032 Secretary of State Strategic Plan. The full Secretary of State Strategic Plan will be published on the Secretary of State website in 2022.

<u>Vision Statement</u>

We improve the lives of Californians and businesses by going above and beyond to foster trust in democracy, share our state's rich history, promote economic growth and invest in our future.

Mission Statement

Adhering to the highest standards of integrity and transparency, the California Secretary of State supports businesses, strengthens democracy, protects individual rights and preserves our state's history by delivering quality services, accessible resources and trusted information.

Values

1. **Integrity:** *We hold ourselves to the highest ethical standards.*
2. **Superior Service:** *We go above and beyond to make people's lives better.*
3. **Innovation:** *We pursue new and more efficient ways of doing business and approach each challenge and opportunity creatively.*
4. **Trust:** *We are a reliable resource.*
5. **Empowerment:** *We seek to provide education, opportunity and inclusion for the public and SOS staff.*
6. **Teamwork:** *We work in a collaborative manner with courtesy and mutual respect.*

Goals and Objectives

Goal 1: Provide Superior Service

Objectives:

1. Standardize external communication
2. Increase visibility and clarity about what we do
3. Improve delivery of customer-centered services

Goal 2: Promote Innovation and Foster a Sustainable Organization

Objectives:

1. Enhance Cyber Security
2. Embrace and continuously improve technology
3. Improve business processes to achieve efficiency
4. Promote succession planning efforts

Goal 3: Improve our Employee-Focused Work Culture

Objectives:

1. Enhance employee engagement
2. Embrace and Invest in Innovation
3. Expand Workforce Development
4. Encourage and Foster Collaboration
5. Cultivate a Cohesive and Inclusive Environment

Goal 4: Stimulate Civic Engagement

Objectives:

1. Promote participation in the electoral process
2. Expand access to electoral information
3. Collect, preserve and provide access to California's history and civic processes.

Control Environment

Through ongoing monitoring, documentation, and Executive oversight, the Secretary of State (SOS) consistently reviews, evaluates, and improves our systems of internal controls. The SOS utilizes weekly Division Chiefs' meetings as a time for senior and Executive management to discuss and document items of significant impact to the agency, including current and potential internal risks and control issues. In addition, Deputies, Division Chiefs, and Project Managers meet individually with the Chief Deputy and Deputy of State Operations weekly or bi-weekly to discuss in greater detail significant issues affecting each area of operations. The Deputy of State Operations meets daily with the Chief Deputy to discuss issues of concern and make recommendations to the Secretary of State for appropriate plans of action to mitigate each issue.

Also, vital to maintaining a secure control environment, the SOS Executive Team recruits, develops, and maintains a competent workforce and continuously evaluates its performance while enforcing accountability. The SOS Workforce and Succession Planning Program, in addition to being transparent, voluntary, and beneficial to the functionality of our programs, was designed to demonstrate commitment to our employees while emphasizing each employee's role in maintaining the integrity and ethical values of the SOS's office. The program uses new and innovative recruitment methodologies, onboarding activities, training and cross-training programs, mandatory and voluntary employee evaluations, one on one and mentoring opportunities, as well as employee exit surveys to inform and evaluate our recruitment and training programs and to provide insight into how to properly motivate and retain a highly competent workforce.

Information and Communication

As the head of the Secretary of State, Shirley N. Weber, Ph.D., is responsible for the overall establishment and maintenance of the internal control and monitoring systems. The executive monitoring sponsors, Lisa Martin, Chief Deputy and Reginald Fair, Deputy of State, Operations, facilitate and verify that the SOS internal control monitoring practices are implemented and functioning as intended and that our systems of internal control are properly documented and communicated.

Reports detailing the control activities associated with mitigating identified risks and their effectiveness are reported by each Division on a quarterly basis. These reports are then summarized and reported to the Chief Deputy Secretary of State, Deputy of State Operations, and Chief Counsel, Steve Reyes. The summarized reports are provided and discussed with SOS Deputies, Division Chiefs, and their management teams. Risks and control activities that are considered high impact to the agency are reported every six months to the Department of Finance. Risks and control activities that are considered medium or low risk to the agency are followed up through our ongoing monitoring process.

MONITORING

The information included here discusses the entity-wide, continuous process to ensure internal control

systems are working as intended. The role of the executive monitoring sponsor includes facilitating and verifying that the Secretary of State monitoring practices are implemented and functioning. The responsibilities as the executive monitoring sponsor(s) have been given to:
LaKenya Jordan, Deputy Secretary of State, Policy & Planning; and
Reginald Fair, Deputy Secretary of State, Operations.

The Secretary of State monitors risk through an ongoing risk assessment process that includes the highest levels of Agency leadership, including Deputies and Program Managers (Division Chiefs), who are closely familiar with the functions, technology, processes, and risks in their respective areas. Monitoring activities are performed, documented, and measured against a baseline of the prior year's activities. The Chief Deputy, the Deputy of State Operations, and the Deputy of State Policy & Planning meet quarterly to discuss identified internal control deficiencies.

RISK ASSESSMENT PROCESS

The following personnel were involved in the Secretary of State risk assessment process: executive management, middle management, front line management, and staff.

The following methods were used to identify risks: employee engagement surveys, ongoing monitoring activities, other/prior risk assessments, questionnaires, consideration of potential fraud, and performance metrics.

The following criteria were used to rank risks: likelihood of occurrence, potential impact to mission/ goals/objectives, timing of potential event, potential impact of remediation efforts, and other.

In addition to ongoing monitoring, the SOS's office prepares for the State Leadership Accountability Act report by holding a commencement meeting, attended by Agency Executive Leadership and Program Leaders, to address the work plan and timeline for completing the report.

The work plan includes five phases: 1) Risk identification and Description 2) Leadership Evaluation 3) Controls Identification and Description 4) Leadership Review 5) Report Submission.

1. During the Risk Identification and Description phase, each Program Leader completes a risk form that identifies and describes risks based on impact to their program area, and the agency as a whole (high/medium/low), likelihood of occurrence (high/medium/low), what is affected (Operations, Reporting and/or Compliance), and the risk's origination (Internal or External). Potential for fraud and significant changes are considered when identifying, analyzing, and responding to risks. Meetings are held to brainstorm risks and address questions.

2. The Leadership Evaluation phase includes discussion, examination, and determination of risks that could be identified for future monitoring.

3. During the Controls Identification phase, Program Leaders are asked to describe the control(s) already underway, and recommend new controls, to mitigate the risks in their respective areas.

4. The Leadership Review includes discussion and consideration of controls that are partially in place and whether or not current technology and resources can be leveraged for better management of risk. Leadership determines if new controls or enhancements are needed to

existing controls.

5. Report Submission involves consolidating the Risks and Controls from each program area and preparing the report within the guidelines provided by the Department of Finance.

Risks are compiled, examined, and discussed to determine the risks that should be identified for future monitoring. Along with any required implementation planning documentation, the Chief Deputy and Deputy of State Operations is responsible for following up and maintaining the agency's ongoing monitoring processes.

Executive Management established clearly defined objectives for assessing the agency's risks to enable the identification of risks and to understand our risk tolerance. During the Risk Identification and Description phase, each Program Leader completes a matrix to identify and describe risks based on impact to their program area and the agency as a whole (high/medium/low) as well as the risk's likelihood of occurrence (high/medium/low). During the Controls Identification phase, each Program Leader is asked to describe the control(s) already underway, and recommend new controls, to mitigate the risks identified in his or her areas. These factors are discussed and evaluated by Agency Leadership and taken into consideration during the Leadership Evaluation phase when a complete list of agency risks are evaluated for their impact to the agency, their likelihood of occurrence, the control(s) already underway to mitigate the risk, and any recommended new controls. Those risks with higher impact to the agency, a higher likelihood of occurrence, and/or insufficient or difficult to implement control(s), are ranked as the agency's highest-impact risks. Those risks with a medium impact to the agency, a medium likelihood of occurrence, and/or with new controls in need of implementation, are ranked as the agency's mid-range impact risks. Those risks with the lowest impact to the agency, a lower likelihood of occurrence, and/or with sufficient control(s) already underway, are ranked as the agency's lowest-impact risks. Those risks with the highest impact on the agency are identified for future monitoring.

RISKS AND CONTROLS

Risk: 1. State Archives: Artifact Storage

Limited physical storage space and specialty storage for historic artwork and artifacts. The California State Archives' current facility is housed in the March Fong Eu Secretary of State's building and is approximately 85% full. Since the building's construction in 1995, the State Archives has undergone several projects to add additional shelving by converting existing fixed shelving to mobile shelving, which doubles the storage capacity to maximize existing spaces, and there is a current project that has been started.

In addition to textual, audiovisual, electronic and cartographic records, the California State Archives houses artifacts that expand on the significance of the record collections housed throughout the building. Current artifact storage is at 69% capacity and does not include specialty shelving for artwork or oversized objects. Additionally, as part of its statutory responsibilities, the California State Archives serves as a "safe harbor" for historic records and aids other state and local agencies to ensure historic records are properly cared for and preserved. Many of these items are stored in this space. To date, no shelving conversion or expansion projects have taken place in this space.

In addition, the State Archives' large freezer is no longer operational, and a replacement is needed to

quarantine records or provide treatment to records that arrive to the State Archives wet or damaged. Freezing capabilities eliminate pests and prevent mold growth or other preservation issues for impacted records, and smaller freezers, are being used temporarily.

Control: A. Analyze Existing Storage Space

Analyze existing storage space and determine if any records can be consolidated or deaccessioned if they do not fit the collecting policy.

1. This control activity will involve surveying the State Archives' collections, comparing data in the online catalog, and making decisions regarding the consolidation, rehousing, or relocation of records within the stacks. Part of this process will also involve the reappraisal of records for historic value and the deaccessioning of records that do not fit the collecting policy, including Governor's Records pursuant to Government Code 6268.5. The assessment will also identify which records would need to be temporarily relocated during a shelving conversion project and drive the phases of the shelving conversion based on records location and temporary storage. Finally, this assessment will also examine if there are additional disaster mitigation resources available.

2. This activity will help reduce the risk as it is the necessary next step prior to shelving conversion. It will also allow non-historic records to be removed from the collection and provide an assessment of converting physical records to digital records if there is no inherent historical value in the paper itself.

Control: B. Seek Additional Funding Resources

Seek additional resources to fund a complete conversion of remaining fixed shelving at the State Archives' facility, as well as specialty shelving for artifacts, special formats, and artwork items. Seek additional resources to secure a replacement for the large freezer that is no longer operational.

1. This control activity involves the submission of a Budget Change Proposal (BCP) for additional resources to fully convert existing shelving, add specialty shelving, add a new freezer, and additional staffing.

2. This activity will reduce the risk by ensuring that there are adequate fiscal resources to be added to the Architectural Revolving Fund (ARF) for the shelving conversion, procure additional specialty shelving, and procure a large freezer.

Control: C. Develop Plan and Timeline for Shelving Conversion and Freezer Implementation

Once additional resources are secured, work with SOS Management Services Division (MSD) to develop a plan and timeline for shelving conversion and installation and freezer implementation.

1. This control activity will involve partnering closely with SOS MSD to work with DGS on architectural plans, securing a vendor, and facilitating the schedule or timeline of the shelving conversion and installation and the freezer implementation.

2. This activity reduces the risk as each converted shelving range doubles the capacity of the range. By adding additional storage, it maximizes the longevity of the current facility. The freezer will reduce this risk by better equipping the State Archives for disaster preparedness and other preservation needs.

Control: D. Work with State Agencies

Work with state agencies to pivot to transferring records in electronic format, as feasible.

1. This control activity will involve developing updated standards, training materials, and transfer procedures to receive electronic or digitized records from state agencies.

2. This would reduce the risk by pivoting some of the records transfers to electronic format, reducing physical space needed for paper-based records and leveraging scalable electronic storage.

Risk: 2. Business Programs: CBC Implementation

The Business Program Division's (BPD) ongoing modernization and automation efforts are making it easier to do business in California. California businesses cannot afford to be impacted adversely by an increase in processing times and delays in starting their businesses. Due to the sharing of data with the Franchise Tax Board (FTB), the Secretary of State (SOS) and FTB need to work together to provide a new entity numbering system that can be utilized by both agencies to do our respective work.

Businesses need California Business Connect (CBC) to be implemented fully to offer timely and convenient online processing of filings and orders. If spending authority from the Business Programs Modernization Fund and/or the Business Fees Fund is lost or diminished, the programs from which the fees are collected and the development and maintenance of an online database will not be supported appropriately, businesses will be impacted negatively, and the legislatively recommended average 5 business-day turnaround will be at risk. Further, funds not utilized for the intended purposes will be swept into the State's General Fund. Currently, any business fees in excess of the SOS expenditure authority are transferred to the General Fund except for the $1 million that SOS statutorily is allowed to reserve.

California Business Connect Module 4: Business Entities Features (Module 4 of 4) is scheduled to go live in March 2022.

Control: A. Deploy California Business Connect Module 4 Business Features

Development and System Testing have been completed for the final phase of the California Business Connect Project. User Acceptance and Training will begin January 2022 and is expected to be completed for a go-live date on or before March 29, 2022. Once implemented, the interim numbering solution will last 2 years which should give FTB enough time to upgrade their systems.

Control: B. Regular Communication and Meetings

FTB and SOS will continue to conduct bi-weekly meetings with program and technical staff to work

through issues and develop solutions that will allow the two agencies to share data back and forth. In addition, FTB and SOS have had monthly executive steering committee meetings to make sure the issues are getting resolved timely. FTB and SOS have a signed memorandum of cooperation that will allow us to continue to work together while FTB updates their systems over the next 2 years.

Risk: 3. Business Programs: Depletion of VCFCF Monies

The Secretary of State administers the Victims of Corporate Fraud Compensation Fund (VCFCF). The VCFCF provides limited restitution to victims of corporate fraud who have otherwise been unable to collect on their judgment against corporations. Due to the large increase in claims over the past few years, the VCFCF may not have enough funds to pay valid claims at the time VCFCF awards are issued. VCFCF is funded by $2.50 of the $5.00 Disclosure Fee paid by each corporation with the filing of their Statement of Information. Generally, this generates approximately $1.8 million each year for the VCFCF.

The large increase in claims over this past year is largely due to the March 2021 finalization of the judgment in People v. James Koenig (a massive Ponzi scheme orchestrated through several companies), after 5 years on appeal. Since July 2021, the VCFCF has awarded 96 claims totaling over $5.5 million. In the fiscal year 2020-2021, the VCFCF awarded 283 claims totaling over $4.6 million.

As of September 15, 2021, the VCFCF balance was approximately $5.5 million with potential liabilities of approximately $5.2 million. While it is unlikely that all applications currently in-house will be valid claims, approximately $3 million of the $5.2 million represents claims that are complete and will be paid out in the next few months.

Changes to the VCFCF statutes in 2016 broadened the pool of potential claimants by allowing VCFCF awards for victims who obtained a criminal restitution order against an agent of a corporation. Although the fund had been operating with a large surplus for many years, the substantial increase in the number of applications based on criminal restitution orders has chipped away at the fund. In the last few years, we estimate over 90% of applications are based on criminal restitution orders, most of which list multiple and sometimes even hundreds of victims entitled to restitution.

For reference here is a snapshot of awarded claims over the past 6 ½ fiscal years. Note the pre-2018 figures may not be 100% accurate because they were compiled retroactively by our analyst based on her review of prior records. However, they should be a good estimate:

2021-2022 96 $5,548,485.69 (Since July)

2020-2021 293 $4,686,834.39

2019-2020 100 $2,295,816.90

2018-2019 50 $1,556,996.70

2017-2018 21 $708,206.25

2016-2017 61 $2,469,188.23

2015-2016 36 $1,774,684.67

Control: A. Legislative Action

Contact the Legislature to determine possible legislative fixes, if desired, to avoid depletion of the VCFCF fund so that it is available to those that need and qualify for the fund. Possible changes could include proration of VCFCF awards for cases with multiple victims or limiting VCFCF awards to applications based on judgments from California state courts.

Control: B. Implement Fund Depletion Plan

When less than $1,000,000 is available in the fund, the VCFCF will begin to implement the Fund Depletion Plan pursuant to California Corporations Code section 2290. The Fund Depletion Plan includes notifications to victims and the public as well as creation of a sequential list of unpaid awards which will be paid, in the order they are issued, as funds become available. This control does not actually reduce the risk of fund depletion; however, it provides the Secretary of State the means to manage the VCFCF in an organized and equitable manner in the event of fund depletion. The VCFCF currently collects approximately $150,000 per month, which is sufficient to satisfy approximately three VCFCF awards. If the annual volume of VCFCF applications we've received over the past three years remains constant, we anticipate it could take a year or more for warrants to be issued once an award is made.

Risk: 4. Business Programs: Notary Automation Program

The Secretary of State is responsible for the appointment of California notaries public. AB-1093 introduced in February 2021 seeks to enact Remote Online Notarization (RON) and is expected to be signed into law. The Secretary of State currently utilizes the Notary Automation Program (NAP) to store and maintain notary public commission data. NAP cannot easily be modified to accommodate RON requirements. Additionally, NAP does not provide the ability to track which third-party vendor online notarization platform each notary public is registered with or will be using. In order to implement and administer the new online notary program, a new information technology system will need to be developed to administer the program.

Control: A. PAL Process – Stage 1 Project Documentation

Develop Stage 1 Project Documentation that outlines the need for the NAP replacement project.

Control: B. NAP Replacement Requirements

Develop detailed requirements for the NAP replacement project, incorporating lessons learned from the California Business Connect Project.

Risk: 5. Management Services: Security Infrastructure

A recent assessment by the California Highway Patrol (CHP) of the Secretary of State (SOS) Sacramento Office identified and detailed numerous security-related vulnerabilities and risks. The continued existence of these vulnerabilities poses a significant risk to the safety of employees and the visiting public.

Control: A. Physical Barriers

The public entrances to the building have had fixed guard desks and turnstiles installed to monitor access to the building. These serve as a physical barrier for immediate and direct access into the building and are serve as a visual deterrent. The Secretary of State is currently addressing numerous security vulnerabilities throughout the complex.

Risk: 6. Management Services: Remote Work Equipment

Currently, the Secretary of State (SOS) utilizes Microsoft Excel and Access to track minor equipment; and FI$Cal for major or capital equipment in accordance with SAM 8610. These systems require manual entry of this data when the record is entered or updated.

With sustained telework both at the Sacramento Headquarters and the Los Angeles Offices, which has occurred for almost two years come March 2022, the workplace working environment increases the number of locations in which State property may be located. Additionally, the potential for assets to be lost, misplaced, damaged, etc. makes maintaining the accuracy of the SOS's Property Record challenging, as well as performing a physical inventory of all property to reconcile the count with accounting records at least every three years in accordance with SAM 8652.

An automated solution is needed to effectively maintain the necessary asset information and to continue the property internal controls, which will support the SOS operations to effectively modernize our workforce and resources.

Control: A. Division Tracking Log

SOS Divisions are provided an Excel spreadsheet to use as a tool to track what equipment has been checked out to their staff, students, or contractors while working remotely. It requires the Division to monitor and/or record state assets that are not being kept at the SOS Sacramento or LA offices.

Control: B. Tagging of Assets

The SOS inventories and applies State Property tags to all tangible property, in accordance with the State Administrative Manual, as well as those items which are more common for loss or theft.

Control: C. Designated Division Property Custodians

Require each Division to designate a minimum of one or more staff person(s), depending on the size of the Division, who would be responsible for recording and tracking all State assets which are provided to Division employees, students, and contractors when performing work offsite or remotely.

Control: D. Information Technology-Based Asset Management System

Procure and implement an information technology-based asset management system for all capital and non-capital SOS property to meet requirements of SAM and allow for ongoing maintenance by both MSD and SOS Division's of these records to reflect when the assets are no longer used onsite and are taken offsite for remote work.

Risk: 7. Management Services: Excessive Leave Balances

The Secretary of State (SOS) is responsible for administering the established vacation and annual leave benefits with the intent to foster a reasonable work-life balance to ensure employees maintain the capacity to optimally perform their jobs. Also stipulated in rule, "It is the appointing power's responsibility to provide reasonable opportunity for all employees to take an annual vacation commensurate with their annual accrual rate of vacation or annual leave" (Cal. Code Regs., tit. 2, § 599.742.1). However, the SOS has identified a significant number of employees who have accumulated excessive leave accumulations over the last several years creating an unfunded liability for departmental budgets. The value of this liability increases with each passing promotion, salary increases, and/or lump sums that must be paid from current-year funds. Accordingly, leave balances exceeding established limits must be addressed immediately through the implementation of the leave reduction efforts.

Control: A. Leave Management Program Reinstatement

The Human Resources Bureau will continue to work with the Executive Office to implement the following controls which are designed to help mitigate the risk.

- Run MIRS reports to identify all employees over the cap based on existing MOU provisions related to leave caps.
- Notify the employees and their supervisor to initiate reduction plans that result in minimal impact on program operations.
- Consider the use CalHR leave plan templates to manage employee leave balances.

These controls will be implemented during the first quarter of the year to initiate our efforts. Identifying employees and notifying them will be our first step in the process to mitigate excessive leave accumulations.

Control: B. Administrating an Effective Leave Management Program

As part of our mitigating efforts the Human Resources Bureau, Personnel Transactions Section will also work behind the scenes to implement the following strategies as part of our commitment to mitigate this risk.

- Operationalize a leave management and monitoring process by auditing leave balances more closely.
- Develop and communicate employee leave program procedures and practices via agency-wide communications.
- Hold supervisors accountable for monitoring leave balances and leave reduction plans of their direct reports.

Control: C. Leave Management Program Long Term Goals

In addition to the short-term objectives listed within Control A & B, the SOS has identified these additional goals as part of Control C:

- Reduce the number of hours over the cap by 10% each year.
- Assess the feasibility of SOS participation during the annual Employee Leave Buy-Back

Program in order to reduce employee leave balances

The combination of Control A, B, & C efforts should position the SOS to better address employee leave balances exceeding the established limits.

Risk: 8. Management Services: Safety and Wellness

The SOS is responsible for providing a safe and healthy workplace for its employees. As a result of the recent COVID-19 enhanced safety measures, the SOS is required to continue to comply with various control plans/activities such as mandatory weekly COVID-19 testing for all non-vaccinated (or those who have not verified they are fully vaccinated) personnel that enter any SOS facility. However, the funding of necessary measures to mitigate and prevent the spread of COVID-19 in the workplace presents a risk to the SOS budgetary resources. Carrying out control plans requires ongoing resources, and this has generated ongoing expenditures resulting in further financial burdens to the Agency. These costs were unforeseen, and the expenditures were a significant impact on the overall financial health of our organization. The lack of securing funding to support the necessary preventative measures in place may pose a direct risk to our ability to meet the mission of the agency which in turn may impact the delivery of services the SOS provides to the public.

Control: A. Meet Regularly with Fiscal Affairs Bureau (FAB)

The SOS Human Resources Bureau (HRB) will begin mitigating the risk by meeting regularly with our Fiscal Affairs Bureau (FAB) and work closely with the FAB team to gain a better understanding of the fiscal impacts to the SOS budget as it relates to ongoing health and safety agency efforts. This control will lessen the gap in addressing unanticipated expenditures.

Control: B. Assess Programs and Safety Protocols

The SOS Health and Safety team will continue to assess programs and safety protocols as directed by control agencies to ensure the SOS is being a good steward of state resources. This process involves monitoring programs/resources related to safety measures, assessing the appropriate use of resources required to operate, implement, and enhance existing health and safety plans/activities. The SOS will continue to follow best practices as directed by the California Department of Public Health and the California Department of Human Resources.

Control: C. Improve Internal and Proper Controls

Continue to improve internal and proper controls to obtain and evaluate data collection to help the Health and Safety, Fiscal Affairs Bureau, and our Executive Leadership team's decision making on the use of monies and resources dedicated to the ongoing needs related to safety activities and the agency's responsibility to maintain a safe work environment for its employees.

Risk: 9. Political Reform: Outdated Legacy System

The California Automated Lobbying and Campaign Contribution and Expenditure Search System (CAL-ACCESS), deployed in June 2000, provides for viewing and reporting of accurate and consistent campaign and lobbying data by many customers and stakeholders. CAL-ACCESS employs a consolidation of software, firmware and hardware all of which is past end-of-life, resulting in difficulties

in supporting and maintaining the system. The system is unable to (or does not) enforce the reporting of accurate and consistent data; impedes the ability to respond to a dynamic legislative and regulatory environment; possess a risk of failure with no assured path to timely recovery. Over the 20-year span of CAL-ACCESS operation, the system has become obsolete. From November 29, 2011, through the month of December 2011, CAL-ACCESS experienced an outage, during which time the public, including filers, were unable to access the system. CAL-ACCESS is no longer supported by vendors, posing a serious risk to recovery. As a result of the system's age and its original design features, it suffers these critical vulnerabilities: (a) Obsolete Platform and operating system, (b) Outdated and inflexible architectural design, and (c) Lack of software and system documentation.

The Secretary of State (SOS) is in the process of replacing CAL-ACCESS, by means of the CAL-ACCESS Replacement System (CARS) project. Senate Bill No. 84 extended the date for the SOS to make the new system available for use to February 2021, allowing more time to get the new system online. In addition to the risks identified above, the System Integrator (SI) and other CARS contractors, working in collaboration with the Subject Matter Experts, continued the new application design and development. The go-live implementation date of June 30, 2021 has been postponed. User Acceptance Testing (UAT) determined that the system does not currently meet the certification standards required. The project is evaluating the status of the current system to determine a revised implementation date. By December 31, 2021, an Independent Assessment team led by the California Department of Technology will provide recommendations to go forward.

Control: A. Continue the Partnership with California Department of Technology (CDT)

The partnership with CDT provides the SOS with the needed project management skill and oversight to effectively lead the independent assessment effort. After the final independent assessment report is received, CDT's guidance to SOS to create a remediation plan is expected to check and verify that the developed remediation plan is reasonable and attainable. This will aid the SOS to create a firm foundation for moving forward with the CARS project.

Control: B. Create a Foundational Structure for the Project

Using the interim independent report as input, recommended actions to take now were provided. These include actions such as updating the project charter, creating a strong project governance structure, reviewing project requirements, business rules and processes, and identifying staff resources needed to move forward. Taking these actions now will keep the project moving forward and will create a strong foundational structure for the project which will reduce ambiguity and create clarity.

Control: C. Create a Remediation Plan

A resulting action after receiving the final independent assessment report is the SOS will collaborate with CDT to create a remediation plan to address the deficiencies and shortcomings identified in the independent assessment findings. Once developed, the remediation plan will identify the actions that must occur and the timeline for completing the actions. Completing these actions within the identified timeline is expected to ensure that all needed actions are taken prior to restarting the project. This will help the SOS create a firm foundation for a restart and keep the

project from repeating past mistakes. The document will not be started until after the final report is delivered to the SOS by the independent assessment team.

Control: D. Implement the Go-Forward Strategy

A Roadmap is the final document that will be delivered as part of the independent assessment. The roadmap will provide estimates of the time and resources needed to complete the project, will suggest platforms capable of providing the needed functionality for the project, and will identify specific actions that should be taken to move forward from the current situation to a project launch. When the SOS follows the Roadmap recommendations, it increases the likelihood the CARS project will move forward and achieve a successful project launch that meets the quality and functionality standards of the Secretary and the lobbying and campaign filing community. The Roadmap will not be delivered to the SOS until late December 2021.

Risk: 10. Executive: Voter's Choice Act

The Voter's Choice Act (VCA) amends Sections 3017 and 15320 of the Elections code and added Sections 4005, 4006, and 4007 to the Elections Code. These code sections specify operating requirements for the elections conducted by those counties that adopt the Voter's Choice Act voting model, the reporting requirements required by the county and office of the Secretary of State, and ongoing compliance requirements for counties. Additionally, the code requires counties to engage voters and members of the community in the development and maintenance of the county's election administration plan and requires the Office of the Secretary of State to approve these plans and the outreach strategies in each county.

The original counties adopting the Voter's Choice Act voting model in 2017 included only five counties. Between 2019 and 2020, that number grew to fourteen counties. Since Secretary Weber was appointed Secretary of State, the program has doubled in size, and now more than half the state, 29 counties will conduct elections under the Voter's Choice Act model in 2022.

The increased number of counties adopting the voting model increases costs associated with certifying counties and renewing certification of the election administration plans (EAP), which are required by statute. The outreach and education assistance the SOS provides to the counties has also increased. The ongoing costs of reporting and data collection are also increasing. Without state oversight, counties may inadvertently conduct elections in a manner that is out of compliance with the statute and voters may be left out of the processor opportunity to participate in the electoral process. Moreover, increased staffing, additional local assistance to counties for outreach and education, ongoing compliance monitoring, and data analysis are needed.

Control: A. Ongoing Funding for State Operations and Local Assistance for the Voter's Choice Act

The request is for ongoing funding of $3.5M from the General Fund to cover the cost of voter education and outreach responsibilities and oversight for the statewide Primary Elections and $3.5M for the statewide General Elections. These funds are used to provide local assistance to counties adopting the Voter's Choice Act (VCA) elections model and fund the state operations cost including, compliance, certification of counties and the reporting required statute. The total request for $7M for the 29 counties that are either currently using the VCA election model or that will adopt

the VCA model in 2022, representing more than 17 million voters in the state.

Risk: 11. Executive: Centralized Legal Office

The absence of a centralized Legal Office limits opportunities for cross-training and maximizing attorney resources. Currently, SOS attorneys do not operate under a centralized structure, which prevents the SOS from maximizing its attorney resources to the fullest extent possible and promoting related cost-saving measures. Due to the current legal organizational structure, there remain barriers to centralized workload management across multiple divisions of attorneys. Additionally, the existing structure creates undue time constraints on the Chief Counsel and other attorneys to more efficiently monitor and coordinate attorney workload between the divisions as well as coordinate the timing of workflow deadlines across all divisions. Lastly, due to the attorneys being housed in separate divisions, there remain significant obstacles to cross-training in other subject matter areas of law practice within the agency.

The standardized procedures and better supervision often experienced in a centralized management structure can result in improved productivity and work quality, as well as reduced operational costs. Additionally, a more structured centralized approach could result in higher levels of employee retention, the ability to keep employees engaged through assignment rotation, and increased flexibility for scheduling.

Control: A. Provide Training to Staff Attorneys

Continue to provide training to staff attorneys, as well as provide other training and continuing education opportunities. The Chief Counsel will continue to increase cross-training opportunities and take steps to move forward with the creation of a new Legal Office.

Control: B. Update Organizational Structure

Review and update the organizational structure to reflect centralized management with a clear chain of command and line of communications.

Control: C. Update Duty Statements

Update and revise duty statements to reflect organizational changes and needs of the new Legal Unit.

Control: D. Assign Cases to SOS Staff Attorneys

Increase efforts to assign cases to Secretary of State (SOS) staff attorneys that would otherwise be referred to the Department of Justice (DOJ) and continue to take a more active role in assisting the DOJ on other referred cases.

CONCLUSION

The Secretary of State strives to reduce the risks inherent in our work and accepts the responsibility to continuously improve by addressing newly recognized risks and revising risk mitigation strategies as appropriate. I certify our internal control and monitoring systems are adequate to identify and address

current and potential risks facing the organization.

Shirley N. Weber, Secretary of State

CC: California Legislature [Senate (2), Assembly (1)]
    California State Auditor
    California State Library
    California State Controller
    Director of California Department of Finance
    Secretary of California Government Operations Agency