

December 26, 2025

Joe Stephenshaw, Director
California Department of Finance
915 L Street
Sacramento, CA 95814

Dear Director Joe Stephenshaw,

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, 2025.

Should you have any questions please contact Reginald Fair, Deputy Secretary of State, Operations, at (916) 695-1446, 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 mission of the California Secretary of State is to support businesses, strengthen democracy, protect individual rights, and preserve state history by providing quality services, accessible resources, and trusted information while adhering to standards of integrity and transparency. The 2022-2027 Strategic Plan outlines three primary goals: Provide Superior Service, Promote

Innovation and Foster a Sustainable Organization, and Improve our Employee Focused Work Culture, each with associated objectives.

The California Secretary of State's strategic plan is a five-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. The Secretary of State Strategic Plan was published in 2022, and it is available on the Secretary of State's website.

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 bi-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 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 & Implementation; 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 Secretary of State, Operations, and the Deputy Secretary of State, Policy, Planning & Implementation 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: brainstorming meetings, employee engagement surveys, ongoing monitoring activities, audit/review results, other/prior risk assessments, questionnaires, and consideration of potential fraud.

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 tolerance level for the type of risk.

The SOS employed the risk management methodology for the identification, analysis, evaluation, risk treatment, and monitoring and review for the purpose of managing potential risks that may affect the SOS organization, projects, processes, and activities.

RISKS AND CONTROLS

Risk: Successful implementation of the new CARS Project

The new CARS project's success is top priority for PRD and the SOS. Successful implementation of the new CARS project with the identified requirements below:

- CARS Implementation (Configuration, Testing, Staffing Backfill, and Filing).
- Committee Naming.
- Form Obsolescence.
- Top Ten Contributor Lists.
- Amended Reports & Statements.
- Directory of Lobbyists.

Control: 1

The project team is actively engaged in collaborative and parallel development efforts to ensure the project remains on track:

- Political Reform Division (PRD) collaborates daily with the Prime Vendor to design functionality.
- PRD performs script and exploratory testing for completed development.
- Monthly external stakeholder meetings occur.
- The Project Team meets with the third-party software vendors 2x/month and has communicated the plan to certify vendors prior to the CARS public

availability date.

- The project has 7 scrum teams working in parallel.
- As of November 19, 2025, the project remains on schedule, and within scope and budget.

Risk: Storage Space/Stacks Capacity/Shelving Conversion

The records storage within the State Archives' facility is currently approximately 89% full (up from 86% as reported in 2023). It is estimated that within the coming years, the current facility will be at capacity. Without an increase in storage, the State Archives would be unable to accept new submissions of records until the problem is resolved. This would result in higher storage costs to agencies who would be unable to legally destroy these items and would be legally required to retain them until the State Archives could accept them onsite. This could also result in a loss of records that document California history. It is critical that we increase the long-term viability of on-site storage for California's historic records in physical formats.

Control: 1 Shelving conversion to maximize existing storage space

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. A new conversion project is estimated to begin in 2026.

- The State Archives will work with the Management Services Division to convert identified ranges of fixed shelving units to mobile shelving units on Floors 2-6 of the Archives stacks.
- Regularly monitor capacity level and survey open storage capabilities with an annual stacks' capacity survey. Current year survey to be completed in December 2025.

Control: 2 Deaccessioning and reappraisal of records

Given the increasing lack of records storage space, the State Archives will attempt to reclaim valuable storage area by implementing three space management techniques:

- Draft and adopt a reappraisal policy that defines criteria, reviews activities, and assigns roles and responsibilities for staff.
- Develop and implement a formal deaccessioning procedure and create standardized documentation forms.
- Plan and execute a full shelf read (collections assessment) of archival storage areas to gain a comprehensive understanding of the physical and intellectual state of the holdings, identify inefficiencies, and inform space recovery strategies.

Note: The Archives has undertaken several large digitization projects to increase access to its collections and support preservation of the original physical records. However, most of the original physical records cannot be replaced by their digital surrogate, making digitization less effective as a mitigation strategy for physical storage space. Further, this large volume of digitized records has created an increased workload for staff due to the complex demands of their ongoing management.

Control: 3 Off-Site Storage

The State Archives is working with Management Services Division and Department of General Services to determine the next steps for an off-site storage facility to store records from the State Archives collection.

Risk: Electronic Records (Born-Digital and Digitized Collections)

The state legislature, the governor's office, state agencies, and the State Supreme Court and Courts of Appeal are increasingly transferring born-digital records, or those records created and maintained electronically, to the State Archives for long-term preservation. In addition, the State Archives regularly works to digitize records in its holdings in order to facilitate broader public access. Unlike paper-based materials, these electronic records (both born-digital and digitized) cannot be accessed or understood by humans without the use of a machine, necessitating proactive and systematic strategies to prevent the loss of public records and ensure access over time. As such, it is imperative that the State Archives be able to implement appropriate, sustainable, and scalable solutions for the identification, collection, preservation, and access of electronic formats. This work requires a fully integrated electronic records infrastructure as well as dedicated staffing and resources to ensure that the State Archives can fulfill its statutory mandate. Currently, electronic records functions have inconsistent integration across Archives units, are supported by staff with competing duties and priorities, and lack the holistic information technology infrastructure needed to best manage the unique needs of electronic records.

Control: 1

Better integrate electronic records functions across program areas and units using current resources.

- Develop policies, procedures, and workflows to optimize the management and use of existing digital preservation and records transfer systems.
- Test and implement the digital preservation system web portal to facilitate online public access to born-digital and digitized collections.
- Through cross-unit collaboration, implement workflows and processes that support a more holistic electronic records management strategy.

Control: 2

The State Archives will plan for and pursue additional resources in order to:

- Help establish a dedicated Electronic Records Program with specialized staff dedicated to coordinating all electronic records management activities across archival units.
- Develop a robust and streamlined information technology infrastructure to support the secure acquisition, preservation, and access of electronic public records.

Risk: 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.

Control: 1

The Secretary of State's office has created procedures to implement in the event of fund depletion. The procedures include notification when the fund reaches an at-risk threshold; the maintenance of a list of awards to be paid as funds become available; the notification to victims who have been issued awards that there are insufficient funds and that the victims will be paid as funds become available; the creation of a notice on the VCFCF website informing the public there are

insufficient funds and that awards will be issued as funds become available; and the manner in which funds will be issued. The control is currently not in practice because the VCFCF has sufficient funds to pay claims currently under review by the VCFCF. However, the balance of the VCFCF was significantly depleted in October 2025 after a Los Angeles trial court ordered the VCFCF to pay awards to 88 claimants in the Alves vs Weber matter, which totaled \$4.4 million. The VCFCF has two other cases currently on appeal after losing in the trial courts and, due to the value of these potential adverse judgments, these may result in immediate depletion of the fund and implementation of the control. It is important to note that the control does not reduce the risk of fund depletion or provide means to replenish the depleted fund. It only provides the Secretary of State the means to manage the VCFCF in an efficient and equitable manner in the event of fund depletion. Over the past three years the Secretary of State has been in communication with the Legislature and Department of Finance regarding the status of the VCFCF and urging them to take action.

Risk: Notary Automation Program

The Secretary of State is responsible for the appointment of California notaries public. SB 696 enacted legislation tied to Remote Online Notarization (RON) and requires RON to be implemented by January 1, 2030. 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: 1

Secretary of State (SOS) has submitted Budget Change Proposals (BCP) for the 26-27 fiscal year funding of the Notary Automation Project 2.0 funding; legislation associated with Remote Online Notarization has been approved. Additionally, SOS continues to work with the Department of Technology on the Project Approval Lifecycle (PAL) for the NAP 2.0 IT Project. PAL Stage 2 Analysis for the NAP 2.0 IT Project has been completed and approved. The Project team is working on PAL Stage 3.

Risk: Business Amendment Fraudulent Filings

Agent Resignations and Statements of Information (SI); an SI can be filed with an easily generated account and by paying a \$5 certified copy fee (when filing outside of the required filing period). This allows an individual to change pertinent information of record for an entity with minimal effort potentially by fraudulently utilizing credit card information. As long as the document is in filing order, the document will be filed on our website. A potential resolution (or at least decreasing the risk), is requiring full-account access for an SI to be filed.

Control: 1

SB 1168 is intended to help address fraudulent filings and the improper use of personal information without consent. SB 1168 was signed by the Governor and became law September 2024.

Additionally, the Secretary of State is working with our bizfile Online vendor and TransUnion to work towards implementing TransUnion Device Risk within our bizfile Online system. TransUnion Device Risk would identify and isolate false filing submissions, minimize fraud impact on businesses and prevent fraudsters from utilizing the Secretary of State submissions/registrations to facilitate fraud.

Lastly, the Secretary of State is moving down the path of requiring full-account access for a Statement of Information to be filed by beginning conversations with Stakeholders surrounding implementation considerations.

Risk: Accounts Receivable (AR)

Accounts Receivable are payroll/benefit overpayments owed to the State by employees. As of November 11, 2025, multiple open accounts receivable and associated amounts are currently in process of collection.

Control: 1

SCO is working on a 19-month backlog for establishing new payroll accounts receivable.

- Human Resources Bureau (HRB) has audited all accounts receivable and created a Master Tracking log to track open/pending accounts receivable.
- Human Resources Bureau (HRB) has noticed employees on open/pending accounts receivable and has begun collection efforts.
- Human Resources Bureau (HRB) has improved processes and procedures to mitigate accounts receivable from occurring, improving the number of accounts receivable in 2025 from prior years.
- Human Resources Bureau (HRB) currently provides a monthly report to Executive on accounts receivable activity and progress.

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, Assembly]
California State Auditor
California State Library
California State Controller
Director of California Department of Finance
Secretary of California Government Operations Agency