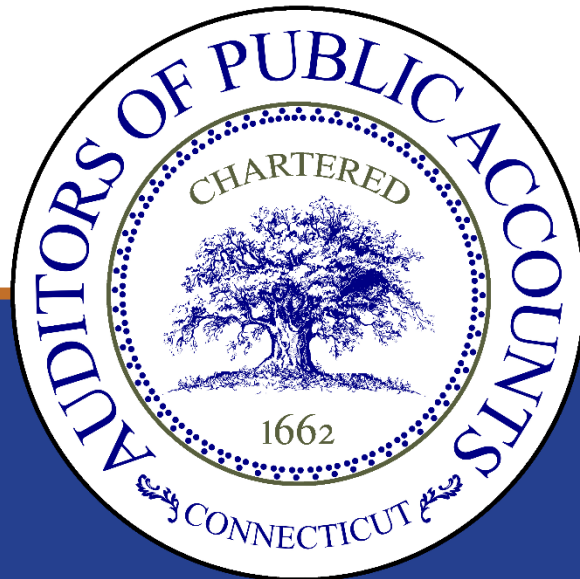


# AUDITORS' REPORT

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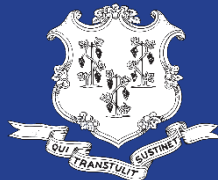
## Office of the Secretary of the State

FISCAL YEARS ENDED JUNE 30, 2023 AND 2024



**STATE OF CONNECTICUT**  
Auditors of Public Accounts

**JOHN C. GERAGOSIAN**  
State Auditor



**CRAIG A. MINER**  
State Auditor

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STATE OF CONNECTICUT



AUDITORS OF PUBLIC ACCOUNTS

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CRAIG A. MINER

June 16, 2026

INTRODUCTION

We are pleased to submit this audit of the Office of the Secretary of the State for the fiscal years ended June 30, 2023 and 2024 in accordance with the provisions of Section 2-90 of the Connecticut General Statutes. Our audit identified internal control deficiencies and instances of noncompliance with laws, regulations, or policies.

The Auditors of Public Accounts wish to express our appreciation for the courtesies and cooperation extended to our representatives by the personnel of the Office of the Secretary of the State during the course of our examination.

The Auditors of Public Accounts also would like to acknowledge the auditors who contributed to this report:

Romina Andrade  
Melissa Laird-Cavagnaro  
Jacob Guerra  
George Meleounis  
Michael Stemmler

A blue ink signature of Michael Stemmler, consisting of a stylized 'M' and 'S' followed by a horizontal line.

Michael Stemmler  
Principal Auditor

Approved:

A blue ink signature of John C. Geragosian, featuring a large, stylized initial 'J' followed by a horizontal line.

John C. Geragosian  
State Auditor

A blue ink signature of Craig A. Miner, written in a cursive style.

Craig A. Miner  
State Auditor

# STATE AUDITORS' FINDINGS AND RECOMMENDATIONS

Our examination of the records of the Office of the Secretary of the State disclosed the following nine recommendations, of which seven were repeated from the previous audit.

## Finding 1

### Inappropriate FICA Exempt Status

<b>Criteria</b>	<p>The Federal Insurance Contributions Act (FICA) requires employers to withhold Social Security (6.2% up to an annual wage limit) and Medicare (1.45% on all wages) taxes from employees' paychecks, with employers matching these contributions.</p> <p>The Core-CT hiring guide mandates agencies to enter a FICA status for every employee. The default entry is to withhold FICA. However, agencies can change the employee's status to exempt or Medicare only for eligible employees.</p>
<b>Condition</b>	<p>We identified one employee in FICA-exempt status during the audited period and found the office lacked support for this exemption. The office recorded the employee as FICA exempt upon hire in July 2023 and remained in this status until their transfer to another state agency in September 2024. The employee's share of \$12,695 in FICA tax should have been withheld.</p>
<b>Context</b>	<p>A query of employees in FICA-exempt status during the audited period disclosed one employee. We selected this employee for testing.</p>
<b>Effect</b>	<p>Failure to withhold proper federal taxes could result in penalties and interest due.</p>
<b>Cause</b>	<p>It appears a clerical error led to this employee being placed in a FICA-exempt status upon hire.</p>
<b>Prior Audit Finding</b>	<p>This finding has not been previously reported.</p>
<b>Recommendation</b>	<p>The Office of the Secretary of the State should strengthen internal controls to ensure it enters the correct fields in Core-CT when</p>

processing a new employee. The office should review and verify a biweekly report of FICA-exempt employees.

### **Agency Response**

"The agency agrees with the recommendation. The employee's FICA-exempt status was due to a clerical entry error made during the Core-CT hiring process in July 2023, a period when the position responsible for this function was vacant. Once identified through the audit inquiry, we initiated a review of all current employees coded as FICA-exempt to ensure accuracy and confirm no other incorrect entries exist. To strengthen internal controls, the agency has instituted an approval process requiring the fiscal director to review and approve all new hire actions before they are finalized in Core-CT, and we have developed a comprehensive hiring process with a checklist ensuring all required entries—including FICA status—are reviewed by multiple employees across both HR and Fiscal. These steps are designed to prevent similar errors from occurring in the future."

## **Finding 2**

### **Controls Over Procurement**

#### **Criteria**

Section 4-98 of the General Statutes states that no budgeted agency may incur any obligation except by the issuance of a purchase order and a commitment transmitted to the State Comptroller.

Department of Administrative Services (DAS) General Letter 71 specifies that purchases between \$5,000 and \$200,000 must be based upon, when possible, at least three written quotations or bids from responsible and qualified sources of supply.

The State Comptroller's Purchasing Card Manual requires cardholders to complete their agency's reconciliation process, record all purchases on a purchasing log, and maintain all supporting documentation (e.g., proper receipts, packing slips, etc.). The manual also states that it is important for cardholders to emphasize that the purchase is exempt from sales tax.

#### **Condition**

In our review of 20 expenditure transactions, totaling \$3,076,949, we noted the following:

- The office did not properly commit funds or initiate a purchase order at the time of purchase for ten expenditures totaling \$1,880,247. Delays to commit funds or initiate a purchase order ranged from six to 137 days.

- In two instances, the office could not provide supporting documentation it obtained multiple quotes for \$40,113 in transactions.

In our review of ten purchasing card statements, with 106 transactions totaling \$54,256, we identified the following:

- The office could not provide supporting documentation for four purchasing card statements, with 35 transactions totaling \$8,664. Furthermore, in our review of the six provided statements, we noted two transactions, totaling \$131, were not supported.
- The office did not record 45 transactions, totaling \$38,689, on the purchasing log sheet which it used to reconcile the statement.
- In six instances, the office paid a total of \$65 in sales tax.

## **Context**

There were 1,435 and 1,595 expenditure transactions totaling \$8,441,149 and \$9,921,757 during the fiscal years 2023 and 2024, respectively. We stratified the universe by transactions over \$50,000, transactions between \$10,000 and \$50,000, and transactions less than \$10,000. We judgmentally selected ten transactions from the first stratum, six from the second, and four from the third, for a total selection of 20.

Purchasing card expenditures totaled \$215,044 and \$238,280, during the fiscal years 2023 and 2024, respectively. The office incurred these charges on 12 different purchasing cards during the audited period. We judgmentally selected five months with the highest volume and two statements from each month based on dollar value.

## **Effect**

There is less assurance that funds will be available for payment when they are not properly committed with a purchase order.

The failure to obtain multiple quotes decreases the office's assurance that it is obtaining goods and services at the best prices.

Noncompliance with purchasing card policies and procedures decreases assurance that purchases were appropriate and properly supported. The agency incurs unnecessary expenses when cardholders fail to secure sales tax exemptions.

## **Cause**

The office's internal controls were not sufficient to prevent these conditions from occurring.

## **Prior Audit Finding**

This finding has been previously reported in the last audit report covering the fiscal years 2021 through 2022.

**Recommendation**

The Office of the Secretary of the State should strengthen internal controls to ensure compliance with Section 4-98 of the General Statutes, Department of Administrative Services, General Letter 71 and the State Comptroller's Purchasing Card Manual.

**Agency Response**

"We agree with this finding. The agency has strengthened procurement practices by requiring purchase orders to be created and approved prior to ordering goods or services. In addition, staff have been reminded of documentation requirements for all purchases, including purchasing card transactions, and supervisory review has been incorporated to ensure compliance with the Comptroller's Purchasing Card Manual. It is also important to note that the agency was without a fiscal director for eight months; with new leadership now in place, stronger internal controls and oversight have been instituted to ensure these improvements are sustained."

**Finding 3****Reconciliation of Revenue****Background**

The office processes and tracks business filing fees through a business registration system (BRS). The financial unit utilizes a cash receipts software called FinSys to record all payments from business filers, including registration and annual reporting fees. The office also enters all revenue each day into Core-CT, the state's official accounting system.

**Criteria**

The State Accounting Manual requires each state agency to reconcile its records with those in Core-CT.

**Condition**

The office did not perform revenue reconciliations between FinSys, its business registration system, and Core-CT during the audited period.

**Context**

The office collected business filings totaling \$56,961,428 and \$56,905,488 during the fiscal years 2023 and 2024, respectively.

**Effect**

Current internal controls over receipts do not provide management with reasonable assurance that the office is properly accounting for all receipts.

**Cause**

FinSys does not timestamp online receipts, which is needed to properly reconcile daily receipts to Core-CT.

**Prior Audit Finding**

This finding has previously been reported in the last ten audit reports covering the fiscal years 2000 through 2022.

**Recommendation**

The Office of the Secretary of the State should strengthen internal controls over receipts and ensure that it completes routine reconciliations between the three financial recordkeeping systems.

**Agency Response**

"We agree with this finding. The agency acknowledges reconciliation between systems is an important internal control. While a monthly reconciliation process between FinSys, BRS, and Core-CT was planned, it could not be fully implemented because the three systems did not align deposit and receipt dates. The current FinSys upgrade, scheduled for completion by the end of calendar year 2025, will resolve this issue by allowing all systems to integrate and reconcile properly. In the meantime, interim controls remain in place to ensure receipts are accurately recorded."

**Finding 4****Controls Over Receipts****Criteria**

The State Accounting Manual requires each agency to establish internal controls over receipts to minimize the risk of loss. All agencies receiving funds should maintain a receipts journal. Each entry should include the receipt date, payer, revenue classification, total receipts, and the deposit amount, slip number, Core-CT deposit ID, and date.

Section 4-32 of the General Statutes requires state agencies receiving any money or revenue of \$500 or more to deposit the receipts in depositories designated by the Treasurer within 24 hours of receipt. Agencies may hold total daily receipts of less than \$500 until they amount to \$500, but not for more than seven calendar days.

**Condition**

Our review of 25 cash and check receipts, totaling \$174,085, noted eight receipts, totaling \$14,975, that lacked sufficient supporting documentation or information to verify their deposit, including a deposit slip or Core-CT deposit ID.

**Context**

The office collected revenue from cash and checks totaling approximately \$9 million and \$3.4 million in fiscal years 2023 and 2024, respectively. We judgmentally selected 25 cash or check receipts to ensure a variety of types and amounts.

<b>Effect</b>	A lack of adequate supporting documentation of receipts increases the risk of undetected loss or theft.
<b>Cause</b>	There was a lack of management oversight over documenting cash and check receipts.
<b>Prior Audit Finding</b>	This finding has not been previously reported.
<b>Recommendation</b>	The Office of the Secretary of the State should strengthen internal controls over recordkeeping of receipts. The office should maintain documentation to verify it promptly deposited receipts in accordance with Section 4-32 of the General Statutes.
<b>Agency Response</b>	“We agree with this finding. The agency has incorporated new deposit logging and supervisory review steps to ensure compliance with statutory deposit requirements. As part of the FinSys project currently underway, receipt documentation and bank deposit confirmation will be integrated into the system to automate this control and strengthen audit trails.”

## Finding 5

# Unearned Revenue Reporting

<b>Background</b>	<p>Business filer accounts can have positive balances due to rejected filings, advanced payments, or overpayments. The office considers these balances unearned revenue which may be used as credits against future filings or reimbursed to the customer.</p> <p>In 2021, in conjunction with the switch from CONCORD to the Business Registration System, the office transferred account balances as vouchers. Customers can pay with their voucher balance prior to using another payment method.</p>
<b>Criteria</b>	<p>The Office of State Comptroller’s GAAP form instructions define unearned revenue as cash collected by the state from individuals or private organizations on or prior to June 30th for goods or services to be provided after June 30th.</p> <p>Section 3-99a(c) of the General Statutes establishes a one-year limit for refunds of any filing fee overpayments. Positive customer account balances should be considered earned revenue a year after receipt if the account has had no subsequent filings or the customer has not requested reimbursement.</p>

**Condition**

The office reported \$53,182,366 in unearned revenue to the Office of State Comptroller as of June 30, 2024. This appears to be all revenue received during the year, instead of only the amount considered unearned. Our analysis estimated the balance to be \$9,616,231 as of June 30, 2024.

The office maintains a voucher report of filer refunds and overpayments. This report includes over 142,000 pending vouchers totaling \$9,616,231 that were at least a year old on June 30, 2023, with most accounts inactive for more than ten years. The office has not discontinued these accounts and considers them unearned revenue.

**Context**

The office reported \$53,182,366 in unearned revenue as of June 30, 2024. We reviewed all supporting documentation for this amount.

**Effect**

The office has maintained active account balances that are no longer eligible for refund and incorrectly reported them as unearned revenue.

**Cause**

Staffing turnover in the financial unit led to the reporting errors.

**Prior Audit Finding**

This finding has previously been reported in the last five audit reports covering the fiscal years 2013 through 2022.

**Recommendation**

The Office of the Secretary of the State should continue to pursue the termination of accounts no longer eligible for refund. The office should also ensure accurate reporting of unearned revenue balances to the Office of the State Comptroller.

**Agency Response**

"We agree with this finding in part. Of the pending vouchers cited, 84% are more than 10 years old and the remainder are between 5 and 10 years, with none more recent. We sought explicit legislative authority to expire these vouchers, but this bill failed. (See Section 22 of SB1119 2023) ("No overpayment claim or claim for credit toward future filing fees shall be presented under this section but within one year after it accrues and the Secretary of the State may adjust the Secretary's records accordingly to reflect that the overpaid fees are no longer available for refund or credit."). This finding should reflect that the legislature failed to pass legislation that would have addressed this issue. In light of the Auditor's recommendation, we will administratively expire these vouchers to remove this finding from future audit reports."

## Finding 6

# Controls Over Accounts Receivable

### Background

In accordance with Sections 33-920, 33-1210, 34-38g, 34-275a, 34-429 and 34-531 of the General Statutes, out of state business corporations, nonstock corporations, limited partnerships, limited liability companies, limited liability partnerships, and statutory trusts may not transact business in Connecticut without filing with the Secretary of the State.

Sections 33-921, 33-1211, 34-38l, 34-275a, 34-430 and 34-539 of the General Statutes allow the office to levy fees and penalties against out-of-state entities for each month they have not complied with the filing requirements. The office, in conjunction with the Office of the Attorney General, assesses and tracks the total amount of fees and penalties due. The Office of the Secretary of the State issues demand letters to out-of-state entities assessed fees and penalties.

### Criteria

State agencies are required to submit an accounts receivable report to the Office of the State Comptroller at the end of each fiscal year, which includes the cumulative outstanding balance of accounts receivable as of June 30th of the reported fiscal year. The report should also include the amounts estimated to be uncollectible, and the amounts that were collected between July 1st and August 31st of the subsequent fiscal year.

The office's practice requires it to send a demand letter to any out-of-state business operating in Connecticut that did not register with the office. An initial 30-day demand letter is sent. If the business does not respond, 60-day and 90-day follow-up letters are sent.

### Condition

Our review of accounts receivable amounts reported on GAAP reporting forms noted the balances were incorrect. Our analysis estimated a receivable balance of \$4,787,770 and \$8,849,400 as of June 30, 2023, and 2024, respectively. However, the office reported \$1,524,251 and \$1,390,874, as of June 30, 2023, and 2024, respectively. Furthermore, the office reported zero as receivables considered uncollectible for each fiscal year. We calculated this amount to be approximately \$2,759,645 and \$5,100,747 as of June 30, 2023, and 2024, respectively.

Our review of ten accounts receivable balances, totaling \$73,755 as of June 30, 2024, disclosed the following:

- The office did not send a second demand letter on time. The letter was sent 18 months after the first demand letter.

- The office did not send three final demand letters on time. These letters were sent between 14 and 23 months after the second demand letter.

**Context**

We reviewed all balances reported on GAAP 2 reporting forms submitted by the office for fiscal years 2023 and 2024.

We identified approximately 430 cases with outstanding balances totaling \$4,227,302.75 as of June 30, 2024. We randomly selected five cases less than one year old and five greater than one year old.

**Effect**

Inaccuracies in reporting to the State Comptroller could result in misstatements in the state's financial statements.

There is a potential loss of revenue to the state when the office does not promptly follow up on past due balances.

**Cause**

There is inadequate management oversight regarding the tracking and reporting of accounts receivable.

**Prior Audit Finding**

This finding has previously been reported in the last six audit reports covering the fiscal years 2010 through 2022.

**Recommendation**

The Office of the Secretary of the State should improve its accounts receivable recordkeeping to ensure records are accurate and supported. The office should improve internal controls over accounts receivable to ensure it promptly issues demand letters.

**Agency Response**

"We agree with this finding in part. The deadlines reflected in the finding are agency goals, not legislative or regulatory, therefore we question the appropriateness of a finding that has no basis in law. Nevertheless, we agree with the conclusion that "there is a potential loss of revenue to the state when the office does not promptly follow up on past due amounts." Management will address the issue of timeliness of letters with the unit to ensure the employees are aware that the auditors will be citing the 30/60/90-day timelines going forward and therefore the unit needs to ensure that all demands meet these deadlines. In April 2024 (3 months before the close of this audit period), we hired a Staff Attorney to assist, in part, with processing these cases. During the 2025 legislative session, we were approved for an additional Staff Attorney I to further assist clearing these cases faster. That position has been posted, and we are in the process of scheduling interviews."

**Auditors' Concluding Comments**

Although there is no written policy or statutory requirement regarding timeliness of demand letters, the office's timeline aligns with sound business practice and internal controls. The office should consider implementing a written policy that reflects these timelines.

## Finding 7

# Inventory Reporting and Controls

### Criteria

Section 4-36 of the General Statutes requires each state agency to establish and maintain inventory records in the form prescribed by the State Comptroller.

The State Property Control Manual requires agencies to submit a property control report (CO-59) annually to the Office of the State Comptroller. The CO-59 instructions require report balances to agree with those in Core-CT. The manual also sets forth the standards and procedures for recording, maintaining, and disposing inventory.

### Condition

Our review of balances reported on the CO-59 property control reports for fiscal years 2023 and 2024 disclosed the following:

- The equipment balance reported was \$13,488 more than Core-CT records for both fiscal years. The office could not provide support for the variances.
- The office could not provide support to its stores and supplies ending balances of \$2,261,074 and \$82,442 in fiscal years 2023 and 2024, respectively. In addition, the beginning balance reported in 2024 was \$2,186,032 less than the 2023 ending balance. The office did not provide support for this adjustment.
- The office could not provide support for the \$248,512 software perpetual (non-capital) balance reported in fiscal year 2024.

In our review of 20 equipment items totaling \$50,774, the office could not locate eight items, totaling \$13,150. Furthermore, of the eleven items found, four were in a different location than indicated on the inventory records.

### Context

Real and personal property totaled \$3,227,454.38 and \$813,770 as of June 30, 2023, and 2024 respectively.

The office's inventory records included 270 items with a total cost of \$351,994 as of May 2025. We judgmentally selected 20 assets, with a focus on assets prone to theft and assets with higher values.

### Effect

Deficiencies in the control over asset management decrease the office's ability to properly safeguard assets and accurately report inventory.

**Cause** The issues noted appear to be a result of a lack of management oversight and inadequate controls over the inventory process.

**Prior Audit Finding** This finding has previously been reported in the last six audit reports covering the fiscal years 2010 through 2022.

**Recommendation** The Office of the Secretary of the State should strengthen internal controls over asset management to ensure inventory records and reports are accurate and supported in accordance with the State Property Control Manual.

**Agency Response** “We agree with this finding and acknowledge the recurring deficiencies in inventory reporting and controls noted by the auditors. Over the past several years, the agency has faced substantial challenges in stabilizing this function, despite efforts to establish stronger processes.

In 2024, after new management arrived, a revised inventory process was developed and implemented with the intent of ensuring more accurate recordkeeping and compliance with the State Property Control Manual. While well designed, this process was not executed as intended. The failure stemmed from a combination of factors, including limited staff knowledge of the full asset lifecycle in Core-CT, a historical reliance on year-end scanning rather than continuous monitoring, and high turnover in key support roles. The office has had four different fiscal directors in short succession, creating a cycle of new management that limited the ability to sustain long-term corrective action. Additionally, positions central to asset management—particularly the Fiscal Administrative Assistant and materials storage specialist—were either vacant or unstable, further impeding progress.

Despite these obstacles, the agency has not abandoned its efforts. We have instituted new compensating controls to address gaps, including closer supervisory review and reconciliation procedures. Most importantly, we have recently hired a manager with extensive experience in Core-CT asset management and inventory modules. This individual will provide the continuity and subject matter expertise that has been lacking. We are also shifting resources away from other areas to prioritize inventory control and are strengthening staff training on the full asset lifecycle.

We recognize that the longstanding issues in this area will not be resolved overnight and that the possibility of continued setbacks remains. However, the agency is committed to working persistently toward meaningful improvements. Our goal is to build a sustainable inventory process that safeguards state assets and ensures accurate reporting, even if progress continues to be incremental.”

## Finding 8

# Failure to Perform Internal Control Self-Assessment

<b>Criteria</b>	<p>The Office of the State Comptroller issues an annual memorandum reminding agency heads to conduct yearly internal control self-assessments. In accordance with the Internal Control Guide, agency management is responsible for establishing and maintaining effective internal controls. Agencies must annually complete an internal control self-assessment by June 30th and keep it on file. The review of the self-assessment questions should include a report noting weaknesses and recommendations for improvements.</p> <p>The questionnaire includes a form that the agency head and business manager must sign to confirm the accuracy and completeness of their information.</p>
<b>Condition</b>	<p>The office could not provide a copy of its internal control questionnaire for fiscal year 2023. The office partially completed the questionnaire for fiscal year 2024.</p>
<b>Context</b>	<p>The annual internal control questionnaire includes eight sections applicable to all agency programs, and five sections related to federal funds.</p>
<b>Effect</b>	<p>By not completing the annual internal control questionnaire, the office reduced its ability to identify internal control weaknesses.</p>
<b>Cause</b>	<p>The fiscal director position was vacant when the fiscal year 2023 questionnaire was due.</p>
<b>Prior Audit Finding</b>	<p>This finding has been previously reported in the last audit report covering the fiscal years 2021 through 2022.</p>
<b>Recommendation</b>	<p>The Office of the Secretary of the State should complete and retain its annual internal control questionnaire in accordance with the Internal Control Guide.</p>
<b>Agency Response</b>	<p>"We agree with this finding. The agency has completed its FY25 internal control self-assessment and established a process to ensure future assessments are completed on time. Annual reminders are now built into the fiscal office's compliance calendar and will be monitored by the Director and fiscal officer to ensure ongoing compliance."</p>

## Finding 9

# Merchandise for Sale

### Background

The Office of the Secretary of the State sells various publications (e.g., Connecticut General Statutes, the Supplement to the General Statutes, Connecticut Public and Special Acts, and the Connecticut Register and Manual) to state agencies and the public. The public can order any of these publications online or in person.

### Criteria

The State Property Control Manual establishes guidelines for maintaining an inventory of merchandise for sale. This includes the inventory format, procedures for conducting an annual physical inventory, and the preparation of an annual inventory report.

### Condition

Our review of 20 sales transactions, totaling \$9,380, noted the office did not support ten, totaling \$5,560. As a result, we could not determine the specific items customers ordered, or whether the office charged the correct amount and properly removed them from the inventory record.

We reviewed inventory counts of five publications for sale. Per records in Core-CT, there were 172 total copies of these five publications, with a \$12,192 retail value. The actual inventory was 61 items, with a \$2,463 retail value.

Our review also found that the office did not perform an annual physical inventory of merchandise for sale during the audited period.

### Context

The office reported approximately 260 sales transactions totaling \$71,885 during the audited period. We judgmentally selected 20 sales transactions, based on value, totaling \$9,380.

As of July 2025, the office had 26 publications for sale, with 1,307 copies on its inventory list in Core-CT. We judgmentally selected five publications for inspection, focusing on items more likely to be purchased.

### Effect

The office did not comply with the State Property Control Manual's merchandise inventory requirements. This could result in undetected losses.

### Cause

Lack of managerial oversight over documenting and inventorying merchandise for sale contributed to the findings.

The office's storage specialist position was unfilled for most of the audited period. The office did not regularly update its inventory counts.

**Prior Audit Finding**

The finding has been reported in the last five audit reports covering the fiscal years 2013 through 2022.

**Recommendation**

The Office of the Secretary of the State should strengthen internal controls to ensure that inventory records of merchandise for sale are accurate, complete, and comply with the State Property Control Manual.

**Agency Response**

"We agree with this finding. Staffing shortages contributed significantly to past issues with managing publication sales and inventory. The agency is addressing this through cross-training and development of back-up personnel to ensure continuity of operations. A new policy requires annual inventory counts, reconciliation with Core-CT, and documentation of sales with supporting invoices, which will strengthen controls despite staffing challenges."

# STATUS OF PRIOR AUDIT RECOMMENDATIONS

Our [prior audit report](#) on the Office of the Secretary of the State contained nine recommendations. Two have been implemented or otherwise resolved and seven have been repeated or restated with modifications during the current audit.

Prior Recommendation	Current Status
<p>The Office of the Secretary of the State should strengthen internal controls to ensure that it completes the steps required to terminate leave balances in Core-CT upon an employee's separation.</p>	<p><b>RESOLVED</b></p>
<p>The Office of the Secretary of the State should strengthen internal controls to ensure that it creates purchase orders that are approved prior to ordering goods or incurring services. The office should maintain adequate documentation to support each purchase.</p>	<p><b>REPEATED</b> <b>Modified Form</b></p> <p>Recommendation 2</p>
<p>The Office of the Secretary of the State should strengthen internal controls over receipts by ensuring that it completes routine reconciliations between the three financial recordkeeping systems.</p>	<p><b>REPEATED</b></p> <p>Recommendation 3</p>
<p>The Office of the Secretary of the State should continue to pursue the termination of accounts no longer eligible for refund. The office should also maintain support for the unearned revenue balances it reported to the Office of the State Comptroller.</p>	<p><b>REPEATED</b> <b>Modified Form</b></p> <p>Recommendation 5</p>
<p>The Office of the Secretary of the State should improve its accounts receivable recordkeeping to ensure records are accurate and supported. The office should periodically evaluate outstanding accounts and seek approval from the Office of Policy and Management to write off accounts deemed uncollectible.</p>	<p><b>REPEATED</b> <b>Modified Form</b></p> <p>Recommendation 6</p>
<p>The Office of the Secretary of the State should abide by the State Property Control Manual policies and procedures and strengthen internal controls to ensure that it annually submits property control reports with accurate and supported balances.</p>	<p><b>REPEATED</b> <b>Modified Form</b></p> <p>Recommendation 7</p>

<p style="text-align: center;"><b>Prior Recommendation</b></p>	<p style="text-align: center;"><b>Current Status</b></p>
<p>The Office of the Secretary of the State should perform a complete physical inventory and update its records in Core-CT to reflect an accurate equipment balance. In addition, the office should properly document all disposals of capital assets.</p>	<p style="text-align: center;"><b>RESOLVED</b></p>
<p>The Office of the Secretary of the State should complete and retain its annual internal control questionnaire in accordance with the Internal Control Guide.</p>	<p style="text-align: center;"><b>REPEATED</b></p> <p style="text-align: center;">Recommendation 8</p>
<p>The Office of the Secretary of the State should strengthen internal controls to ensure that inventory records of merchandise for sale are accurate, complete, and comply with the State Property Control Manual.</p>	<p style="text-align: center;"><b>REPEATED</b></p> <p style="text-align: center;">Recommendation 9</p>

# OBJECTIVES, SCOPE, AND METHODOLOGY

We have audited certain operations of the Office of the Secretary of the State in fulfillment of our duties under Section 2-90 of the Connecticut General Statutes. The scope of our audit included, but was not necessarily limited to, the fiscal years ended June 30, 2023 and 2024. The objectives of our audit were to evaluate the:

1. Office's internal controls over significant management and financial functions;
2. Office's compliance with policies and procedures internal to the office or promulgated by other state agencies, as well as certain legal provisions; and
3. Effectiveness, economy, and efficiency of certain management practices and operations, including certain financial transactions.

In planning and conducting our audit, we focused on areas of operations based on assessments of risk and significance. We considered the significant internal controls, compliance requirements, or management practices that in our professional judgment would be important to report users. The areas addressed by the audit included payroll and personnel, revenue and cash receipts, accounts receivable, purchasing and expenditures, asset management, and reporting systems. We also determined the status of the findings and recommendations in our prior audit report.

Our methodology included reviewing written policies and procedures, financial records, meeting minutes, and other pertinent documents. We interviewed various personnel of the office and certain external parties. We also tested selected transactions. This testing was not designed to project to a population unless specifically stated. We obtained an understanding of internal controls that we deemed significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contracts, grant agreements, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The accompanying financial information is presented for informational purposes. We obtained this information from various available sources including the office's management and state information systems. It was not subject to our audit procedures. For the areas audited, we:

1. Identified deficiencies in internal controls;
2. Identified apparent noncompliance with laws, regulations, contracts and grant agreements, policies, or procedures; and

3. Did not identify a need for improvement in management practices and procedures that we deemed to be reportable.

The State Auditors' Findings and Recommendations section of this report presents findings arising from our audit of the Office of the Secretary of the State.

# ABOUT THE AGENCY

## Overview

The [Secretary of the State](#) is an elected constitutional state officer whose duties are set forth in Title 3, Chapter 33, of the Connecticut General Statutes. The Secretary of the State serves as the chief election and business registrar and is the official keeper of public records and documents.

The primary functions of the Secretary of the State are:

- Serving as custodian of the state seal, public records and documents, particularly of the acts, resolutions and orders of the General Assembly. Other public documents recorded and filed include state agency regulations, schedules of state board and commission meetings, town ordinances and the surety bonds of state officers and employees
- Serving as Commissioner of Elections of the state, which includes being the repository of political party rules, compiling voter registration statistics, interpreting election laws, and training local officials in election administration
- Recording various corporate certifications and reports as well as the collection of the appropriate fees
- Recording commercial transactions and collecting applicable fees in accordance with the Uniform Commercial Code
- Appointments of Notaries' Public
- Publishing the State Register and Manual and other publications
- Administering the eRegulations system for the State of Connecticut

## Organizational Structure

The Office of the Secretary of the State serves the public through four main divisions: Business Services, Elections and Voting, Information Technology, and Management and Support Services. Denise Merrill served as Secretary of the State until her resignation, effective June 30, 2022. Mark Kohler was appointed to serve as acting Secretary of the State until the next election, at which point Stephanie Thomas was sworn in as Secretary of the State on January 4, 2023. She continues to serve in that capacity. Jacqueline Kozin was Deputy Secretary of the State throughout the audited period. She served until Jennifer Barahona was appointed Deputy Secretary, effective January 8, 2025.

## Significant Legislative Changes

Notable legislative changes that took effect during the audited period are presented below:

- **Public Act 23-1** (Section 7), of the September Special Session, effective October 3, 2023, required the office of the Secretary of the State to contract with an individual to serve as an election monitor for any municipality with a population of at least 140,000. The individual should serve in this capacity until December 31, 2024.

- **Public Act 23-5** (Section 19), effective June 7, 2023, required the Office of the Secretary of the State to develop and conduct a state-wide public awareness and education campaign regarding the availability of early voting at elections and primaries. The act also required the secretary to develop an early voting procedure manual to be distributed to each registrar of voters and town clerk and published on the office’s website.
- **Public Act 23-204** (Section 412 and 414), effective January 1, 2024, required the Office of the Secretary of the State to establish a statewide database of information necessary to assist the state and any municipality in (1) evaluating whether and to what extent current laws and practices related to election administration are consistent with the provisions of this act, (2) implementing best practices in election administration to further the purposes of this act, and (3) investigating any potential infringement upon the right to vote. The act required the office to designate an employee to serve as manager of the statewide database. The act also required the secretary, to at least annually identify and publish a list of covered jurisdictions on the office’s website.

## Financial Information

### General Fund Receipts

A summary of General Fund receipts during the audited period as compared to the preceding fiscal year follows:

	<b>Fiscal Year Ended June 30,</b>		
	<b>2022</b>	<b>2023</b>	<b>2024</b>
Commercial Recording Fees	\$ 47,349,169	\$ 56,296,751	\$ 53,182,366
Certificate and Other Fees	309,101	1,654,451	1,720,444
Notary Registrations/Licenses	834,731	689,575	674,907
Penalties - Corporations	1,125,752	1,524,251	1,390,874
Sale of Documents and Publications	59,607	32,701	32,287
Taxes	10,577	13,452	9,290
Refunds	(960,195)	(1,319,659)	(1,168,137)
<b>Total</b>	<b>\$ 48,728,742</b>	<b>\$ 58,891,522</b>	<b>\$ 55,842,031</b>

The contributing factors for the increase in fiscal year 2023 included additional revenue received from commercial recording fees, as well as certificate and other fees. This is due to increased efforts to enforce business registrations in fiscal years 2022 and 2023. The office issued significantly more warning letters than in prior years.

## General Fund Expenditures

A summary of General Fund expenditures during the audited period as compared to the preceding fiscal year follows:

	<b>Fiscal Year Ended June 30,</b>		
	<b>2022</b>	<b>2023</b>	<b>2024</b>
Personal Services and Employee Benefits	\$ 5,949,519	\$ 6,817,805	\$ 7,072,814
Employee Expenses, Allowances and Fees	27,797	35,250	62,839
Purchased and Contracted Services	1,122,046	3,087,665	1,289,422
Purchased Commodities	89,665	117,307	267,163
Information Technology	1,798,055	1,996,649	3,366,699
Premise and Property Expenses	2,766	27,366	36,161
Motor Vehicle Costs	12,867	13,089	12,927
Grant Transfers	0	0	1,774,500
Other Charges	(70)	0	0
<b>Total</b>	<b>\$ 9,002,645</b>	<b>\$ 12,095,131</b>	<b>\$ 13,882,525</b>

The growth in fiscal year 2023 was primarily due to an increase in purchased and contracted services needed for a voter education campaign leading up to the 2024 presidential election.

## Federal and Other Restricted Accounts Fund Receipts

Federal and Other Restricted Accounts Fund receipts totaled \$1,069,966 and \$1,063,456 for the fiscal years 2023, and 2024, respectively. The largest federal source was related to the Help America Vote Act.

## Federal and Other Restricted Accounts Fund Expenditures

A summary of Federal and Other Restricted Accounts Fund expenditures during the audited period as compared to the preceding fiscal year follows:

	<b>Fiscal Year Ended June 30,</b>		
	<b>2022</b>	<b>2023</b>	<b>2024</b>
Personal Services and Employee Benefits	\$ 13,265	\$ 0	\$ 1,117,055
Employee Expenses, allowances and fees	0	0	206
Purchased and Contracted Services	(39,186)	34,960	129
Purchased Commodities	40,975	0	0
Information Technology	1,100,902	1,733,904	366,357
Grant Transfers	(2,400)	1,010,357	0
<b>Total</b>	<b>\$ 1,113,556</b>	<b>\$ 2,779,221</b>	<b>\$ 1,483,747</b>

The growth in fiscal year 2023 was caused by increases in information technology improvements leading up to the 2024 presidential election, and large grant transfers to towns for early voting programs. The information technology expenditures were lower in fiscal year 2024 but were offset by an increase in personal services related to additional election positions, as required in Public Act 23-1 of the September Special Session.

## **Capital Improvements and Other Purpose Funds**

Capital Improvement and Other Purpose Fund expenditures totaled \$1,155,416 and \$2,074,232 in fiscal years 2023 and 2024, respectively. This increase is attributable to significant software improvements made to modernize Connecticut's election infrastructure through the purchase of a new paper-based election system.