City of Chicago

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JANUARY 2019

CITY OF CHICAGO OFFICE OF INSPECTOR GENERAL

AUDIT OF THE OPERATIONS OF THE CHICAGO BOARD OF ELECTION COMMISSIONERS

REPORT OF THE OFFICE OF INSPECTOR GENERAL

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JANUARY 29, 2019

TO THE CHIEF JUDGE OF THE CIRCUIT COURT OF COOK COUNTY:

The City of Chicago Office of Inspector General (OIG) has completed an audit of the operations of the Chicago Board of Election Commissioners (CBOEC), pursuant to your designation of our office as an independent external auditor of CBOEC.

OIG sought to determine whether CBOEC employed sufficient financial controls to prevent waste, fraud, and abuse; whether its human resources program was designed to support its mission; and whether it maintained a contingency plan to ensure continuity of operations in the event of attack or disaster.

Based on the audit results, OIG concluded that CBOEC has spent taxpayer money on unnecessary expenses, and has both overcharged its funders and caused them to record financial transactions incorrectly. Some of CBOEC's employees are not receiving benefits to which they may be entitled CBOEC does not budget accurately for personnel, and its hiring, compensation, and succession planning activities do not align with best practices. Lastly, CBOEC cannot assure the public that it would be able to maintain election operations in the event of an attack or disaster. Although CBOEC was informed of several of these problems in May 2009, CBOEC did not follow through on many of the corrective actions it committed to undertake

OIG's audit makes recommendations aimed at improving CBOEC's fiscal administration, bringing its hiring, compensation, and employee succession programs into alignment with best practices, and establishing plans to ensure the safety and reliability of elections in the event of catastrophe.

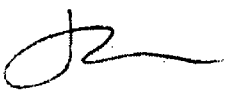
In response to this audit, CBOEC stated that it tentatively agrees with some recommendations, disagrees with others, and is still determining its response to others.

We thank CBOEC staff and management for their cooperation and encourage them to use the audit to improve operations. Although the CBOEC commissioners are responsible for setting policy and overseeing the executive director's activities in the areas reviewed during this audit, they declined to meet with the auditors, stating

through CBOEC's general counsel that they did not believe their participation would be beneficial.

Public faith in elections is essential to a healthy democracy. Taxpayers in Chicago deserve assurance that the resources they devote to the election process are spent in a transparent and accountable way.

Respectfully,



Joseph M. Ferguson
Inspector General
City of Chicago

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ACRONYMS

ACA	Patient Protection and Affordable Care Act
CBOEC	Chicago Board of Election Commissioners
EAC	US Election Assistance Commission
GAO	US Government Accountability Office
GASB	Governmental Accounting Standards Board
HR	Human Resources
ILCS	Illinois Compiled Statutes
IRS	US Internal Revenue Service
IT	Information Technology
NIST	National Institute of Standards and Technology
OIG	City of Chicago Office of Inspector General

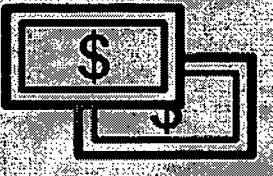
CHICAGO BOARD OF ELECTION COMMISSIONERS

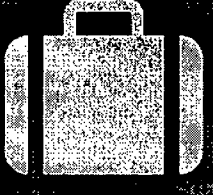
City of Chicago Office of Inspector General Audit

$3 MILLION IN PAYMENTS WITHOUT FULL DOCUMENTATION, NOT ADHERING TO POLICY, OR POSTED IN THE WRONG FISCAL YEAR

27 PROCUREMENTS OVER $10K HAD NO WRITTEN CONTRACT

27 PROCUREMENTS DID NOT FOLLOW CBOEC'S POLICIES





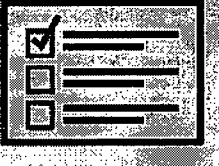
CBOEC LEADERSHIP BENEFITS FROM INAPPROPRIATE VACATION TIME

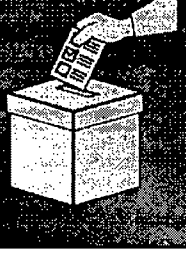
Commissioners work only a few hours each month but accrue paid vacation time like full-time employees

Executive Director will receive the maximum vacation payout because no time off was tracked

CBOEC DOES NOT HAVE TRANSPARENT SYSTEMS FOR HIRING, RECRUITMENT, OR PAY INCREASES

2008 - Most recent employee performance evaluations
1996 - Most recent HR policy and procedures manual updates
1990s - Most recent job description updates





NO CONTINGENCY PLAN IN THE EVENT OF AN ATTACK OR DISASTER

I. EXECUTIVE SUMMARY

The City of Chicago Office of Inspector General (OIG) conducted an audit of the operations of the Chicago Board of Elections Commissioners (CBOEC).

The objectives of the audit were to determine whether CBOEC,

- employed sufficient financial controls to prevent fraud, waste, and abuse;
- had a human resources program designed to support its mission; and
- maintained a contingency plan designed to ensure continuity of operations in the event of attack or disaster.

The temporal scope of the audit was generally 2015-2016 for financial transactions, and 2013-2017 for human resource practices and contingency planning.

A. FINDINGS

OIG found significant gaps in CBOEC's financial administration related to vendor payments, cost allocations, budgeting, employee reimbursements, payroll, contract procurement, and cash management. Although CBOEC was informed of many of these gaps in May 2009, CBOEC did not implement many of the corrective actions it committed to undertake. CBOEC instead spent taxpayer money on expenses that did not adhere to its own policies, were recorded in the wrong year, were unsupported, and/or did not align with its funders' policies. Specifically, CBOEC,

- spent an estimated $3 million in City of Chicago funds and spent $294,935 in Cook County funds on vendor payments and employee reimbursements that were recorded in the wrong year, violated CBOEC policies, did not align with City policies, and/or were inaccurate or lacked sufficient supporting documentation;
- improperly retained $28,247 in State grant funds that were spent but later refunded;
- accrued an obligation to its executive director for a lump sum of $24,615 upon retirement by not recording his vacation time;
- incorrectly allocated expenses between the City and County,
- accrued a debt of $28,733 to the City and is owed $22,835 by the County, due to not reconciling its hourly payrolls,
- paid three vendors in 2015 and 2016 a total of $324,588 more than was contractually-allowed;

- could not account for $1,427 in cash and checks from its revenue-generating operations;
- made expenditures that exceeded and/or otherwise did not comply with provisions of its City budget without legislative approval;
- utilized an hourly payroll process that is susceptible to fraud; and
- made 27 procurements totaling $5.7 million in 2016 that violated its own procurement policies, as well as 27 procurements totaling $1.8 million that had no written contract or similar documentation.

OIG found several opportunities for CBOEC to improve its human resources program. Specifically, CBOEC,

- is not fulfilling its obligations under the Patient Protection and Affordable Care Act (ACA);
- does not budget accurately for its personnel needs, resulting in a cumulative $908,790 in budget overages between 2013 and 2017;
- does not have transparent hiring practices;
- does not have a transparent, standardized system for pay raises based on a performance evaluation framework; and
- does not have succession plans for leadership and other critical positions.

OIG also found that CBOEC does not have a contingency plan effectively designed to maintain continuity of operations in the event of attack or disaster. Its 2018-2022 Infrastructure Plan draft does not meet best practices for such plans, and CBOEC does not have a complete inventory of its information technology hardware or software.

B. CONCLUSIONS

Based on these findings, OIG concluded that CBOEC has paid unnecessary expenses with taxpayer money, overcharged its funders, and caused its funders to record financial transactions incorrectly. We also concluded that CBOEC's hiring, compensation, and succession planning activities do not align with best practices, that some of its employees are not receiving benefits to which they are entitled, and that CBOEC does not budget accurately for personnel. Lastly, OIG concluded that CBOEC cannot assure the public that election operations will continue in the event of an attack or natural disaster.

C. RECOMMENDATIONS

OIG recommends that CBOEC: undergo regular independent, external audits; develop and publish financial policies; develop accurate budgets; ensure that its purchasing department is included in all procurement activities; and correct outstanding financial inaccuracies.

OIG also recommends that CBOEC: immediately come into compliance with the ACA by conducting a full review and providing any required disclosures and reports to its employees and the Internal Revenue Service; conduct a staffing analysis and reach an agreement with the City regarding acceptable budgeting for hourly employees; develop standardized and transparent hiring, compensation, and performance management policies; and develop succession plans for staff turnover. Finally, CBOEC should develop a contingency plan and IT inventory that meet best practices.

D. CBOEC RESPONSE

In response to our audit findings and recommendations, CBOEC stated that it tentatively agrees with some recommendations, disagrees with others, and is still determining its response to others. OIG's specific recommendations related to each finding, and CBOEC's preliminary responses, are provided in the "Findings and Recommendations" section of this report. CBOEC's response letter is included as Appendix C.

1. CBOEC Requests to Delay the Audit

CBOEC requests an extension of time to May 31, 2019, to provide a final response to OIG's recommendations, asserting that OIG did not provide a reasonable amount of time to respond to the audit. On the contrary, as described below, OIG amply accommodated previous requests to delay the audit, kept CBOEC informed of its findings during the audit, and provided adequate time to prepare a written response. CBOEC's request for yet more additional time is unreasonable.

OIG initiated this audit in 2016. Although the City of Chicago pays the majority of CBOEC's bills,[1] including nearly all of its regular staff who are on the City's payroll and benefit systems, the Board challenged our jurisdiction to perform this fundamental oversight function. In April 2017, the Chief Judge of the Circuit Court of Cook County, exercising his statutory authority under Section 6-70 of the Illinois Election Code, designated OIG to a serve as an independent external auditor of CBOEC

[1] See the Background section of this audit for a history of City funding from 2011-2018

CBOEC asked OIG to delay the beginning of the audit process until May 2017 in order to accommodate work on the February 28, 2017 Special Election in the City's 4th Ward. OIG consented, and held the audit entrance conference with CBOEC on May 31, 2017.

OIG communicated our findings to CBOEC as we discovered them, throughout the course of the audit process. For example, we notified CBOEC,

- in November 2017 that $1,500 cash was sitting an employee's desk, and that revenue deposits had not been made;
- in May 2018 of potential non-compliance with the Affordable Care Act; and
- in June 2018 of vacation timekeeping irregularities.

In January 2018, CBOEC requested that OIG suspend the audit until April 20, 2018 due to the primary elections. OIG again consented. In late April 2018, CBOEC began responding to OIG requests for information that had been pending since December 2017.

In September 2018, OIG presented a detailed briefing on the preliminary audit results to CBOEC staff, informing them that we would provide a draft of the audit report no later than the first week of December 2018 and request a response in early January 2019.

OIG provided CBOEC with the draft audit report on December 7, 2018, requesting a response by January 4, 2019. On December 14, CBOEC asked OIG to delay publication of the report until after the April 2, 2019 runoff election results are finalized. On December 21, 2018, OIG and two senior CBOEC representatives discussed all findings and recommendations at a formal exit conference, at which time CBOEC repeated its request to delay response and publication until at least April. OIG declined, but extended the response deadline to January 16, 2019. CBOEC delivered its preliminary response on that date, but reiterated that the response time afforded was insufficient and stated its intention to submit a final response by May 31, 2019.

2. CBOEC Disputes OIG Authority

From the start of the audit process, CBOEC has disputed not only OIG's authority to conduct the audit, but also its authority to publish the audit report. In its preliminary response, CBOEC asserts that Government Auditing Standards limit distribution of the report. This is incorrect. CBOEC cites a version of the Standards that is not yet in effect and a provision that does not apply to performance audits. The relevant Standard is the 2011 GAGAS 7.05, which states that one purpose of a performance audit report is to make the results available to the public, unless specifically limited.

OIG has published this audit, as it does all its audits, in accordance with Government Audit Standards and to promote accountability to the taxpaying public.

II. BACKGROUND

A. THE BOARD OF ELECTION COMMISSIONERS

The Chicago Board of Election Commissioners (CBOEC) conducts public elections in Chicago, manages voter registrations, and regulates the candidacies of individuals running for City office. Its mission is to "administer a transparent, impartial, and accurate election system."[2] The City Election Act of 1885 created CBOEC, which is governed by the Illinois Election Code.[3] The Board consists of three commissioners appointed by the Chief Judge of the Circuit Court of Cook County, and is authorized to employ an executive director to lead its day-to-day operations.[4]

The Illinois Election Code requires the Chief Judge of the Circuit Court to audit CBOEC's salaries and expenditures or to appoint an independent external auditor to perform the task.[5] The Chief Judge designated OIG to conduct this audit. The letter designating OIG as the external auditor appears in Appendix A of this report.

B. CBOEC OPERATIONS

As shown in Figure 1, elections for federal, state, and county offices generally take place in even-numbered years, while Chicago municipal elections generally occur in odd-numbered years. Special elections—such as elections to fill a prematurely vacated aldermanic seat—may occur outside of the typical four-year election cycle.

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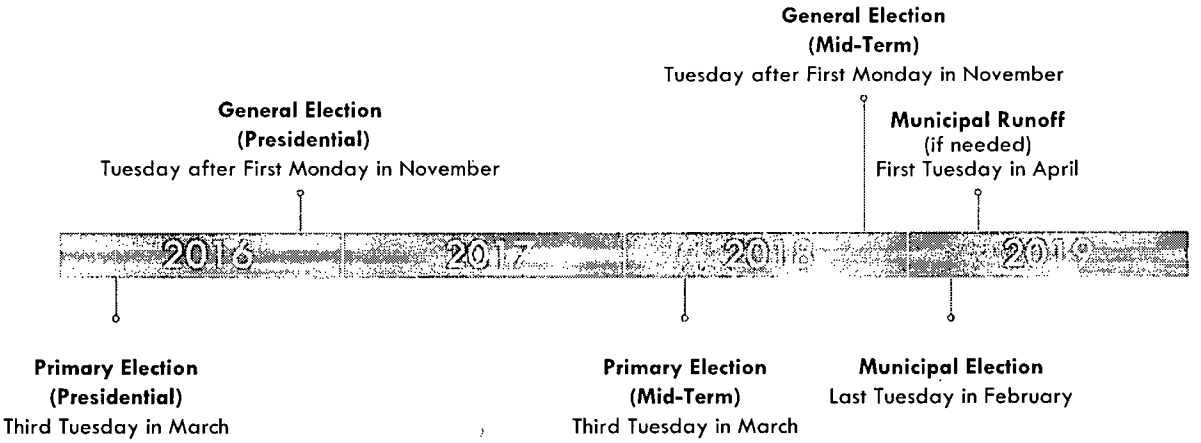
[2] Board of Election Commissioners, "About the Chicago Election Board," accessed October 1, 2018, http://www.chicagoelections.com/en/about-the-chicago-election-board.html

[3] 10 ILCS 5/1-1 *et seq*

[4] As of December 2018, the commissioners were Chairwoman Marisel Hernandez, Commissioner and Board Secretary William Kresse, and Commissioner Jonathan Swain

[5] 10 ILCS 5/6-70

FIGURE 1: TYPICAL FOUR-YEAR ELECTION CYCLE



Source: OIG depiction of elections timeline from the Illinois State Board of Elections.

1. Funding Sources

CBOEC receives funding from the City of Chicago and Cook County.[6] The Illinois Election Code states that most of CBOEC's expenses are the City's responsibility.[7] As shown in Figure 2, the County pays for the salaries of CBOEC's three commissioners and executive director, as well as for certain categories of expenses in even-numbered years. The City pays for all other expenses.

[6] CBOEC has also received an Illinois Voter Registration System grant from the State of Illinois. Further, the State reimburses election authorities, including CBOEC, for election judges, because the City and County pay election judges directly. CBOEC passes these reimbursements to the appropriate funder.

[7] See Appendix B for the sections of the Illinois Election Code describing which expenses should be paid by the County and City.

FIGURE 2: CITY AND COUNTY RESPONSIBILITIES FOR FUNDING CBOEC

	Odd-Numbered Years (Municipal or Non-Election Years)	Even-Numbered Years* (Federal Election Years)
City	• All costs not assigned to the County	
County	• Commissioner salaries • Executive Director salary	• Commissioner salaries • Executive Director salary • Voter registration and canvass • Printing and distributing ballots • Election judges • Shipping election materials • Renting polling sites/property • Vote tallying costs

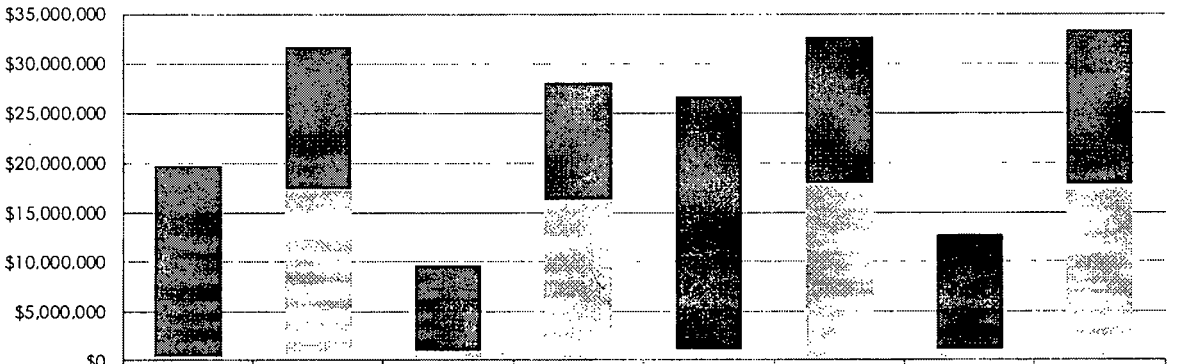
*The County is responsible for voter registration and canvassing costs when the costs support registration and canvassing of voters in even-numbered years, even where such activity relates to elections occurring in odd-numbered years. It is responsible for the remaining costs listed in the table for elections that occur in even-numbered years.

Source: 10 ILCS 5/6-70, 17-30, and 17-32(2)

Figure 2 describes the funding requirements of the Election Code at a general level. Although the Code identifies which entity pays for general categories of costs, determining which category a specific expense falls into can be challenging As discussed below in Finding 1, accurate allocation of costs will require careful interpretation of the Code and the creation of a formal allocation framework. CBOEC's former general counsel drafted memos outlining an interpretation of the pertinent Code sections, but CBOEC has neither developed a formal allocation framework nor documented agreements with either the City or the County regarding which entity is responsible for certain types of expenses.

The amounts contributed to CBOEC by the City and the County vary from year to year based on the division of expenses described above. For example, the portion of the CBOEC budget charged to the City averages 94% in odd-numbered years, and 45% in even-numbered years. Figure 3 shows the distribution of CBOEC's budget between the City and County from 2011 to 2018. During this 8-year period, the City contributed $122 million, or 63% of the total

FIGURE 3: CITY AND COUNTY APPROPRIATIONS FOR CBOEC, 2011-2018



	2011	2012	2013	2014	2015	2016	2017	2018
Total	$19,705,128	$31,719,942	$9,630,462	$28,064,992	$26,619,115	$32,624,626	$12,713,880	$33,335,976
City	$19,222,276	$14,322,733	$8,722,360	$11,875,547	$25,555,957	$14,763,549	$11,624,299	$15,606,377
County	$482,852	$17,397,209	$908,102	$16,189,445	$1,063,158	$17,861,077	$1,089,581	$17,729,599

Source: OIG analysis of City and County budget data

Most of CBOEC's non-personnel expenses are paid directly by the City or County. Upon receiving an invoice from a vendor, CBOEC submits a payment request and supporting documentation (such as the invoice) to the City or County. The City or County then pays the vendor directly However, CBOEC also maintains two operational checking accounts that it uses to pay vendors and reimburse employees:

- The Election Administration account, which is CBOEC's primary checking account.
- The Early Voting account, which is rarely used.[8] CBOEC stated that it created this account to segregate state grant funds from City and County funds. However, CBOEC was unable to determine the original source of funds for $147,377 paid from the account in 2015 and 2016.

After paying its vendors or reimbursing employees from either checking account, CBOEC requests reimbursement from the City or from the State of Illinois. OIG did not identify any instances where CBOEC requested reimbursement from the County.

Most personnel expenses are also paid directly by the City or County As described in the Staffing section below, the County pays the three commissioners and the executive director through the County payroll system Likewise, 118 salaried positions are paid by the City through its payroll system However, CBOEC has a contract with a vendor to pay its hourly employees directly from a third checking account. Payroll expenses for hourly employees hired to support early voting are funded by the

[8] CBOEC issued eight checks totaling $197,377 from this account in 2015 and 2016

County or City depending on the year. Payroll expenses for all other hourly employees are funded by the City, regardless of the year.

2. Staffing

CBOEC employs the following categories of staff to meet its operational needs:

Salaried employees on the County payroll, i.e., the three commissioners and the executive director

The executive director is a full-time position governed by an agreement establishing terms of employment, including benefits. The commissioners do not work full time; they have limited duties beyond attending bi-monthly board meetings.

Full-time salaried employees on the City of Chicago payroll

In 2018, CBOEC budgeted 118 full-time salaried positions in addition to the executive director. Of those positions, 110 were filled as of October 2018. These employees receive the same health insurance and pension benefits as City employees. However, CBOEC is not subject to the City's hiring and promotion rules, including those prohibiting political consideration in hiring and promotions arising from the *Shakman* consent decree.

Individual contractors in the roles of general counsel, communications director, and attorney, among others

CBOEC has six positions in this category. The invoices for these contractors are typically paid by the City.

Hourly employees hired to support elections, registration, and administrative functions

From 2015-2017, CBOEC paid 611 hourly workers to support early voting, funded either by the County or City depending on the year. In addition, CBOEC paid 154 hourly employees to fulfill various other roles from City funds in CBOEC's "Extra Hire" appropriation. Some of the employees in this category are seasonal, working the periods before, during, and after an election, while others have worked full time for multiple years.

Temporary Election Day workers, including election judges, election coordinators, and polling place investigators[9]

CBOEC estimates it employs over 14,000 workers in this category for each election. Election judges and coordinators are paid by either the City or

[9] Election judges are assigned to precincts to administer elections. Election coordinators manage operations at each precinct and assist election judges. Polling place investigators investigate disputes during and after voting periods.

County depending on the year, while polling place investigators are paid by the City regardless of year.

Varying numbers of temporary workers provided by staffing agencies for support prior to, during, and after Election Day

These workers assist in many areas including voter registration, clerical tasks, and warehouse operations, and are paid by either the City or County depending on the year.

III. FINDINGS AND RECOMMENDATIONS

FINDING 1: CBOEC spent taxpayer money on expenses that did not adhere to its own policies, were recorded in the wrong year, were unsupported, or did not align with its funders' policies.

OIG found significant gaps in CBOEC's administration of vendor payments, cost allocations, budgeting, employee reimbursements, vacation time accumulation, contract procurement, and cash management. OIG also determined that CBOEC was informed of many of these gaps in May 2009 but did not take appropriate corrective actions. In particular, CBOEC was informed that it,

- had inadequate financial policies;
- did not perform checking account reconciliations;
- did not utilize an accounting system;
- did not undergo regular external audits;
- did not regularly deposit revenue with the City and reconcile its receipts;
- did not segregate payroll administration duties; and
- circumvented its procurement process.

If CBOEC had taken appropriate corrective action in 2009, many of the problems found in this audit would have been prevented or mitigated.

1. Between 2015 and 2016, CBOEC spent an estimated $3 million in City funds and spent $294,935 in County funds on vendor payments and employee reimbursements that were recorded in the wrong year, violated CBOEC policies, did not align with City policies, or were inaccurate or lacked sufficient supporting documentation.

OIG reviewed a sample of City-funded non-personnel expenses in 2015 and 2016 for accuracy and adherence to CBOEC and City policies. Based on the sample results, OIG estimated that $3 million, or 15.2% of CBOEC's $19.8 million City-funded non-

personnel expenses had one or more errors.[10] Figure 4 summarizes the type and value of errors found in the sample.

FIGURE 4: ERRORS FOUND IN SAMPLE OF CITY-FUNDED NON-PERSONNEL EXPENDITURES

Error	Amount
Recorded in wrong year	$1,812,877
Violated CBOEC policies	$49,545
Not aligned with City policies	$29,684
Inaccurate or unsupported	$26,248
Remittance of taxes from which CBOEC is exempt	$2,945

CBOEC Policies Violated	
Guidelines for outside counsel	$20,378
Employee handbook	$14,598
Vendor provisions	$13,853
Travel policy	$716

City Policies Not Aligned With	
Employee reimbursement policy	$21,923
Travel policy	$7,450
Local transport policy	$311

Source: OIG review of CBOEC expenses

OIG also reviewed all 398 County-funded non-personnel expenditures in 2015 and 2016, and determined that $294,935, or 2% of these had one or more errors. Figure 5 summarizes the type and value of errors we found in CBOEC's County-funded expenditures.[11]

[10] The estimated error in the population is based on the observation of errors in a probability sample of 230 transactions totaling $12.2 million. Because this estimate is based on a probability sample, it is subject to sampling error. A different probability sample could have produced different results. Based on the size of our sample and the method used to select it, we are 95 percent confident that the total error in the population is between $2.4 million and $3.6 million.

[11] The errors in the table do not sum to $294,935, because a single payment could have multiple errors. OIG did not double count errors of different types that affected the same payments, which results in a total error that is less than the sum of each error.

FIGURE 5: ERRORS FOUND IN COUNTY-FUNDED NON-PERSONNEL EXPENDITURES

Error	Amount
Recorded in wrong year	$167,772
Inaccurate or unsupported	$125,425
Violated CBOEC vendor provisions	$1,745

Source: OIG review of CBOEC expenses

These errors occurred, in part, because CBOEC did not correct the following problems identified in May 2009:

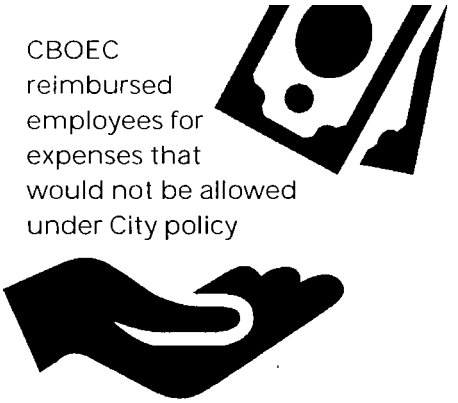
- inadequate financial policies;
- no checking account reconciliations;
- no accounting system to track expenditures from its checking accounts; and
- no regular external audit of CBOEC.

CBOEC management attributed the lack of corrective action to its former fiscal administrator, whom the executive director stated was not qualified and performed unsatisfactorily. However, CBOEC allowed this person to lead the finance department for nearly four years and increased his compensation in 2015. OIG determined that the former fiscal administrator submitted inaccurate budgets to the City and County, which caused shortfalls at the end of budget years. CBOEC responded to this situation by delaying submission of invoices to the City and County until the following budget year, thereby causing the City and County to record expenses in the wrong year.

During the period that OIG analyzed, CBOEC did not have access to the County's financial systems; the County granted access only to its own employees. To request payment from the County, CBOEC relied instead on paper payment requests, which are more susceptible to error. CBOEC had access to, but elected not to use, the City's e-procurement system, which has features that reduce the probability of error. Instead, CBOEC manually entered information for its purchases into the City's financial system and provided the City with paper copies of supporting documentation, such as invoices.

As an independent agency, CBOEC is not required to adhere to the policies of its funders (the City and the County). CBOEC reimbursed its employees for a range of

CBOEC reimbursed employees for expenses that would not be allowed under City policy



purported business expenses that would not have been permitted under City policy.[12] It bears noting that 184, or 71.6%, of 257 employee reimbursements reviewed were payments to the executive director. These reimbursements included $7,975 in donations (via the purchase of event tickets, table sponsorships, or program advertisements at galas or other events), $847 for breakfast and lunch meetings in the Chicago area, $246 for seat upgrades during flights, $50 for a personal City Club membership, and $650 for an Earthlink email account that the executive director used to conduct CBOEC business.

CBOEC also exercised its independence by making expenditures from its checking accounts and providing little supporting documentation to the City when requesting reimbursement. For instance, in March 2016 CBOEC asked the City for reimbursement of 86 checks, totaling $50,951 in vendor payments and employee reimbursements. CBOEC did not attach any supporting documentation except copies of the checks. The City acknowledged that it sometimes approved requests without sufficient supporting documentation because CBOEC's fiscal administrator had refused to provide such documentation in the past.

2. CBOEC owes $28,247 to the State for grant funds that were spent but later refunded.

CBOEC did not return $28,247 to the State of Illinois after receiving a refund for grant-funded goods sent back to a vendor. The goods were associated with CBOEC's voter registration system, and were initially purchased with a 2015 Illinois Voter Registration System grant. After CBOEC returned the goods, a processing error caused most of the credit owed to CBOEC to be withheld until OIG contacted the vendor in 2018.[13] The awarded and missing credits went unnoticed, however, in part due to the gaps in CBOEC's oversight and fiscal administration policies and practices. Therefore, the funds were not returned to the State

In addition, CBOEC did not provide enough documentation to determine the funding source or sources for the funds in its Early Voting account. Accordingly, OIG could not determine the source or sources for $147,377 in 2015-2016 expenditures from the

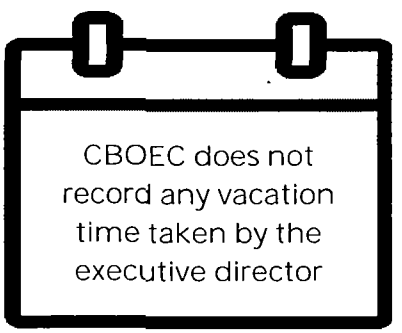
[12] OIG did not compare employee reimbursements to County policies because CBOEC did not ask the County to pay for any of its employee reimbursements.

[13] The vendor awarded a $910 credit in August 2015; the remaining $27,337 was credited in March and April 2018.

account.[14] CBOEC stated that it was unable to locate the supporting documentation but confirmed that the Early Voting account was most likely created to segregate grant funds. Any unspent funds currently in this account may also include grant funds that should be returned to funders.

3. Upon separation from CBOEC, its commissioners will be owed lump sum payouts for vacation time they should not have accrued because they do not work full time and its executive director will be owed a lump sum payment of $24,615 for vacation time that CBOEC did not track or record.

CBOEC stated that its commissioners have limited responsibilities, do not work a fixed schedule, and are only present at CBOEC a few times per month. However, these positions are still considered full-time in the County's payroll system and they therefore accrue vacation time at the same rate as full-time employees. Because the commissioners are expected to work infrequently, vacation time is never deducted from their balances. They are paid a lump sum for these balances when they leave CBOEC's service. For example, a former commissioner was paid $11,969 when he retired in 2016. If CBOEC's three current commissioners were to have retired on December 31, 2018, they would have collectively been paid a total of $22,495 for their unused vacation.



In addition, as stipulated in his employment agreement, CBOEC's executive director is a full-time employee who accrues vacation time at the same rate as full-time County employees. CBOEC does not record his vacation time, however, and he has consequently accrued the maximum balance for unused time Upon retirement, the executive director will receive a payout of $24,615 for this balance

OIG reviewed payroll registers dating back to 2012 that showed no vacation time logged for any of the commissioners or the executive director The timekeeper for CBOEC's County-funded positions stated that the executive director seldom takes vacation, he usually only travels on Board business, and he is on-call 24 hours a day when traveling. The idea that the executive director has taken no vacation since 2012 is implausible. CBOEC also stated that the executive director stopped recording vacation time 20 to 25 years ago because he had reached the maximum vacation time balance. However, OIG notes that if the executive director's actual time off had been recorded at any point, this would have reduced that balance below the maximum, thereby altering the calculation.

[14] CBOEC's December 2016 account statement listed a balance of $77,750

4. CBOEC misallocated expenses between the City and County.

The Illinois Election Code identifies the City and County's respective responsibilities for funding general categories of election-related expenses,[15] but, during the period analyzed by OIG, CBOEC did not always adhere to the Code when requesting payment from each funder. As a result,

- the County paid $1.4 million in expenses that should have been paid by the City, including the cost of printing of election notices in newspapers, the cost of training election judges, and polling place security expenses;
- the County paid another $7.2 million in expenses that should have been shared with the City in some part, including the payment of temporary election staff, printing costs, and charges for consulting services;[16]
- the City paid $540,308 in expenses that should have been paid by the County, including the cost of supporting CBOEC's voter registration system in even-numbered years; and
- the City paid another $15.2 million in expenses that should have been shared with the County in some part, including the purchase of voting systems and equipment intended to last multiple elections, charges for election-related consulting services, and certain election-related overhead expenses.

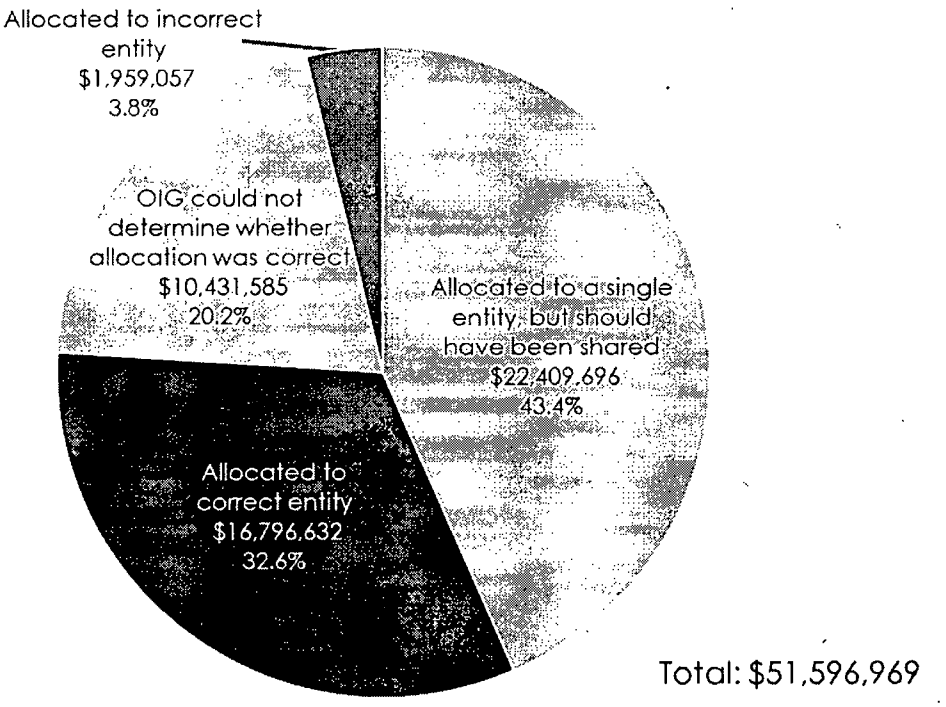
Figure 6 depicts each type of error in aggregate, across funders.[17]

[15] See 10 ILCS 5/17-30 and 17-32 (2)

[16] OIG determined that both the City and County had payment responsibilities for these expense types per the Illinois Election Code, but we could not determine the share of each expense that should have been billed to the City or County because we did not have sufficiently detailed information

[17] OIG did not have enough information to identify the correct payer for expenses totaling $10.4 million

FIGURE 6: CBOEC EXPENSES ALLOCATED TO CITY AND COUNTY, 2015-2016



Source. OIG comparison of CBOEC expenditures to Election Code requirements.

Proper allocation of these expenses according to the Illinois Election Code would require careful interpretation of the statute and development of a formal allocation framework. Although the Code identifies which entity should pay for general categories of expenses, determining which category a specific expense falls into can be challenging. For example, 10 ILCS 5/17-30 says that the County should pay "for the registration and canvassing of voters in even-numbered years." According to a memo by CBOEC's former general counsel, CBOEC may ask the County to pay for odd-year expenditures necessary for even-year registration activities.[18] However, CBOEC asked the City to pay for the development of its voter registration system even though the system would be used in both odd and even years to manage the registration and canvass of voters. Since the system development expenses supported registration and canvassing of voters in all years, the cost of development should have been shared by the entities. Although CBOEC's former general counsel drafted memos in 1997 and 2004 outlining an interpretation of the Election Code, CBOEC did not develop a formal allocation framework to operationalize that interpretation or

[18] The general counsel's memo specifically states that the County would be responsible for the expense of printing canvass materials in an odd year that were ultimately used to canvass voters in an even year

formulate agreements with the City and County, regarding which entity is responsible for certain expense types.

5. As a result of errors in payroll administration, CBOEC owes the City $28,783, owes hourly employees $3,347, and is owed $22,835 by the County.

As a result of errors in hourly payroll administration from 2013-2017, CBOEC,

- owes the City $28,733;
- owes employees $3,347; and
- is owed $22,835 by the County.

CBOEC pays salaried employees through the City's payroll system, but contracts with a vendor to pay hourly employees from a checking account maintained by CBOEC.

For hourly early voting workers, CBOEC asks the City or County for funds in advance due to the size of the payroll.[19] These funds, which CBOEC deposits in its checking account, are an estimate of payroll obligations; the actual expenditures are expected to differ from CBOEC's estimates. Because it did not perform reconciliations on the account, CBOEC did not identify and correct any discrepancies.

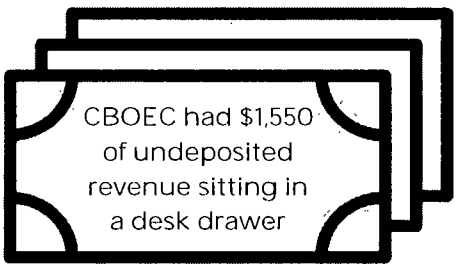
For other hourly employees, CBOEC requests reimbursement from the City after payroll is processed. From 2013-2017, CBOEC's hourly payroll vendor retroactively adjusted CBOEC's hourly payroll on a regular basis due to errors and changes in withholdings, with the result that CBOEC's actual hourly payroll expenditures differed from the amounts paid by the City. CBOEC also received refunds from the vendor if employees did not deposit or cash their paychecks in a timely manner. Because CBOEC did not reconcile its checking account, it did not identify discrepancies resulting from such adjustments and refunds.

6. In 2015 and 2016, CBOEC paid three vendors a total of $324,588 more than was contractually allowed.

CBOEC paid three vendors $105,833 beyond the dollar-value limits provided in their contracts, and paid an additional $218,755 after the contracts had expired. If CBOEC had taken advantage of the City's e-procurement system, any expenditures beyond the terms of the contract could have been automatically prevented. CBOEC's former purchasing director stated that they asked to use the e-procurement system, but CBOEC senior management declined to request access from the City.

[19] CBOEC asks the County to pay for early voting in statewide elections and the City to pay for early voting in municipal elections

7. CBOEC did not deposit revenue promptly and could not account for $1,427 in cash and checks.



CBOEC did not deposit revenue related to the sale of ward and precinct maps, poll sheets, certified voter registration copies, and related items between May 24, 2016, and December 13, 2017. At the time of the audit, CBOEC had $1,550 in undeposited revenue in a desk drawer. CBOEC also allowed revenue to remain undeposited in cash register drawers for several months, and, in one case, for a full year. OIG reconciled transaction receipts to deposit slips and identified $1,427 of revenue that was not deposited and could not be accounted for by CBOEC.

This occurred despite CBOEC's 2009 commitment to reconcile deposits with cash receipts and deposit funds on a weekly basis.

8. CBOEC spent outside of its City budget without legislative approval.

CBOEC spent $8.1 million of City money from the wrong budgetary line items in 2015 and 2016, frequently misrepresenting expenditures by ascribing them to unrelated categories, such as IT maintenance expenditures categorized as "postage." Almost a quarter of the $8.1 million was spent in the wrong budget series, a practice which may have violated the City's 2015 and 2016 Annual Appropriation Ordinances.[20] According to the City's Office of Budget and Management, transfers between budget series required City Council approval.

This happened in part because CBOEC did not budget its expense categories accurately and sometimes exceeded its appropriations. CBOEC also stated that it did not receive an additional appropriation to conduct an unplanned citywide mayoral runoff election in 2015.

From 2013 through 2017, CBOEC overspent its City budgets by a net total of $3.2 million and underspent its County budgets by a net total of $1.4 million.[21] When years under budget are factored in, CBOEC overspent its combined budgets for this period by $1.8 million.

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[20] Line items in a budget describe specific expense types, such as salaries or office supplies. Budget series are the broader categories into which line items are organized, such as contractual services or equipment. 65 ILCS 5/8-2-4 lists these series.

[21] The County stated that it was permissible for CBOEC to exceed its appropriation because the County fund used to pay CBOEC expenses had a positive balance.

FIGURE 7: FROM 2013 THROUGH 2017, CBOEC OVERSPENT ITS CITY BUDGETS BY A NET TOTAL OF $3.2 MILLION AND UNDERSPENT ITS COUNTY BUDGETS BY A NET TOTAL OF $1.4 MILLION

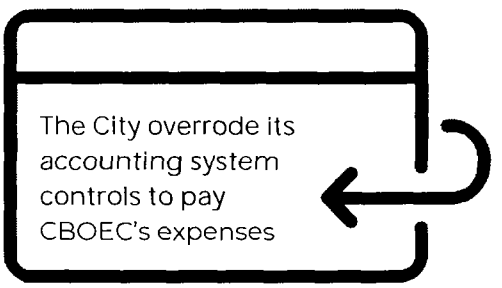
City

Year	Amount Over or (Under) Budget	Percent Over or (Under) Budget
2013	$ (540,143)	(5.6%)
2014	$ (212,163)	(1.6%)
2015	$ 3,037,801	11.8%
2016	$ 196,782	1.3%
2017	$ 710,551	6.1%
Total	**$ 3,192,829**	**4.3%**

County

Year	Amount Over or (Under) Budget	Percent Over or (Under) Budget
2013	$ 972,955	107.1%
2014	$ (3,745,096)	(23.1%)
2015	$ (140,096)	(13.2%)
2016	$ (922,360)	(5.2%)
2017	$ 2,450,823	224.9%
Total	**$ (1,383,775)**	**(3.7%)**

Source: OIG analysis of 2013-2017 City budget documents



City departments sometimes exceed their budgets for operational reasons; funds may be moved from other budget areas to cover the shortfall or an additional appropriation may be granted by City Council. However, some of CBOEC's overages were made possible by the City overriding its accounting system controls to pay CBOEC's payroll expenses, and circumventing accounting system controls by authorizing negative encumbrances to pay some non-payroll expenses.[22] These actions violated the City's Annual Appropriation Ordinances, by allowing CBOEC to spend in excess of the amount appropriated by City Council. In response to this audit, the City included language in the 2019 Annual Appropriation Ordinance authorizing the budget director to use unassigned fund balance to pay expenditures that exceed the amount appropriated by City Council.

[22] An encumbrance is the amount an entity recognizes it must pay for a good or service. Negative encumbrances, as used in the City's accounting system, allow a department to spend more than was budgeted. Certain individuals in the City's Department of Finance can create negative encumbrances

9 CBOEC's hourly payroll processes are susceptible to fraud.

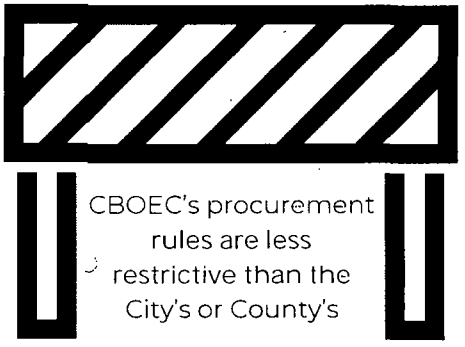
As explained above, CBOEC's HR department administers its hourly payroll through a contracted vendor. However, payroll duties performed by CBOEC are not properly segregated among employees in this department. The same employee can create employee records, enter hours worked, and initiate payment. This leaves CBOEC at risk of ghost payrolling, a fraudulent practice of adding fake employees to the payroll and collecting their pay. A lack of available bulk timekeeping data prevented OIG from determining whether ghost payrolling has occurred. This lack of segregation of duties persisted even though CBOEC was informed of the gap in May 2009.

10. CBOEC violated its procurement policies in 27 procurements totaling $5.7 million and engaged in 27 procurements worth $1.8 million without a written contract in 2016.

OIG identified 27 procurements, totaling $5.7 million, where CBOEC violated its own procurement policies, either by not using a competitive procurement process, not providing adequate justification for contract modifications, not collecting economic disclosure statements from the vendor, or some combination of these violations.

In addition, OIG identified 27 procurements, totaling $1.8 million, with no written contract. Where CBOEC does not memorialize agreements in writing, it exposes itself to increased risk of disputes with its vendors and problems enforcing the terms of oral contracts.

This violation of procurement policies and lack of written contracts occurred, in part, because CBOEC upper management secured 33 procurements without the involvement of its purchasing department and did not provide records of the procurements to this department. As a result, CBOEC purchasing does not have a complete inventory of the agency's contracts, nor full documentation for some active contracts. Documentation for some procurements was accessible to CBOEC's general counsel via upper management, while for others CBOEC does not appear to have obtained or maintained complete records.



In addition to the contracts that violated CBOEC's policies or lacked written agreements, 28 procurements, totaling $3 million, did not align with the City and/or County's policies. As a separate governmental entity, CBOEC is not required to adhere to its funders' policies. But it bears noting that CBOEC's procurement rules are generally less restrictive than the laws and policies governing the City and County's own procurements. In particular, CBOEC's procurement policy does not apply to any contracts for "public works, construction, or professional services such as contracts with attorneys, accountants, consultants, and public relations firms." This broad exemption allows CBOEC to engage in sole source procurement for goods and services even where competitive markets exist. By contrast, the City's Department of Procurement Services requires competitive procurement unless an exception is approved by a non-competitive review board. Moreover, this exemption allows CBOEC to circumvent its own purchasing department and standard purchasing process.

RECOMMENDATIONS

1. CBOEC should undergo independent, external audits at least every other year. We note that the executive director stated he discussed this issue with the Chief Judge, and that, moving forward, CBOEC plans to budget for an external audit in every odd year.
2. CBOEC should develop financial policies that provide for proper administration of City and County funds.
3. CBOEC should work with the City and County to gain access to and utilize those entities' electronic financial systems, and should adhere to all associated policies governing those systems.
4. CBOEC should refund $28,247 to the State of Illinois for grant-funded goods that were sent back to a vendor.
5. CBOEC should eliminate its non-payroll checking accounts, and request payment in the same manner as City and County departments. Alternatively, CBOEC should implement its own centralized financial system and perform account reconciliations
6. CBOEC and the County should discontinue the practice of allowing commissioners to accrue vacation time, should eliminate the commissioners' existing balances, and should request a refund from the retired commissioner paid $11,969 in 2016.

7. CBOEC should require the executive director to report vacation taken and adjust his vacation time balances accordingly.
8. CBOEC, in cooperation with the City and County, should develop a formal cost allocation framework to determine which entity is responsible for particular types of expenses, and document the framework in an intergovernmental agreement.
9. CBOEC should either record revenue in its own centralized financial system, or ensure consistent use and accuracy of transaction logs. In addition, CBOEC should reconcile cash register funds and receipts with the documentation of purchases, and deposit revenue on a weekly basis.
10. CBOEC should develop accurate annual budgets and pay all expenses from the corresponding year's funds.
11. CBOEC should use City and County payroll systems for hourly employees. Alternatively, CBOEC should immediately segregate duties for creating employees, tracking hours, and submitting payroll in its hourly employee payroll system, and conduct regular reconciliations of its payroll account.
12. CBOEC should rectify its miscalculation of hourly payroll amounts by refunding $28,733 to the City, paying employees the $3,347 owed, and requesting reimbursement of $22,835 from the County.
13. CBOEC should solicit, negotiate and document all contracts through its purchasing department, and ensure that its purchasing manager has access to all procurement records and an inventory of its contracts.
14. CBOEC should reduce its reliance on sole source procurements and modify its purchasing rules to bring them in line with City and County practices.

MANAGEMENT RESPONSE[23]

1 *"As a preliminary response, this recommendation is dependent on the direction of the Chief Judge of the Circuit Court of Cook County and the source of funds for the audits. In the past, audits were conducted in even years by independent auditors. The Board hopes to receive the direction and funding to continue this practice going forward. At this time, the Board renews its objection to the OIG improperly referencing [omitted]. The OIG has repeatedly used [omitted] in its audit as a point of reference when it is aware that it should not be doing so without [omitted]'s written permission. In representing itself as an Independent Auditor, the OIG fails to comply with the Yellow Book in this*

[23] CBOEC provided a response in the form of a letter, which is included as Appendix C to this report. OIG excerpts the portions directly responsive to our recommendations and quotes them in the Management Response section for each finding.

regard. The Board will assume that the OIG will adhere to its professional responsibilities regarding the confidentiality of information supplied to it."

OIG Reply: At CBOEC's request, and as a courtesy, OIG has omitted explicit references to certain material that CBOEC considers confidential. OIG also omitted CBOEC's references to the material above and redacted portions of the response letter in Appendix C. We further note that 10 ILCS 5/6-25 authorizes the Board to employ an independent external auditor. Therefore, this recommendation is not dependent on the direction of the Chief Judge.

2. *"As a preliminary response, the Board will continue working with City and County budgeting departments and attorneys to insure agreement among the various agencies that funds are appropriated in accordance with the Election Code and other laws.*

3. *"As a preliminary response, the Board will continue working with City and County departments to insure the Board may utilize those entities' electronic financial systems and policies to the extent authorized by law.*

4. *"As a preliminary response, the Board disagrees with the OIG finding. It is the Board's position that the OIG Audit Team failed to understand that this discrepancy was the result of a bookkeeping function and the amount was credited back to the Board and resubmitted to the vendor with an additional amount for an upgrade."*

   OIG Reply: OIG understands that CBOEC returned goods to its vendor with the intention of using the credit towards purchase of upgraded equipment. According to its vendor, CBOEC had not used its credit of $28,247 as of January 17, 2019. Based on its review of CBOEC transactions, OIG determined that CBOEC purchased the upgraded equipment with City funds. Since the original purchase was related to a 2015 grant, the deadline to expend the grant funds has expired.[24] OIG encourages CBOEC to ask its vendor to convert the credit to a cash refund and return the amount to the State of Illinois.

5. *"As a preliminary response, eliminating all non-payroll checking accounts could cause serious administrative and operational complications for the Board, which would have to rely solely on the City and County financial offices for all expenditures. Those agencies are not as responsive as the Board's own finance department during times of crucial importance for the Board. For example, it may have been impossible for the Board to fulfill its statutory duties as an election authority under the following prior circumstances if it had to wait days*

[24] In its 2015 agreement with the State of Illinois, CBOEC agreed to return any unspent funds within 30 days of receipt. According to CBOEC's bank records, it deposited the grant award in its Election Administration account on July 27, 2015.

or weeks for the City and/or County to issue checks for these unforeseen but necessary expenses:

"In November of 2014, the state treasurer's election had such a narrow margin that it almost caused a statewide recount, and the added burdens on the post-election canvass caused the Board's staff to incur unexpected overtime for three additional weeks at substantial expense to the Board.

"In 2015, the mayoral election in February produced no winner, which then forced a run-off election for the office of mayor that the City removed from the Board's Budget. The City caused a six-month delay in providing funding to the Board for many of the necessary expenses related to the citywide run-off.

"In 2016, the Board entered into a consent decree with the U.S. Department of Justice regarding polling place accessibility. Almost all the public buildings that house the Board's polling places are owned by the City, thus causing significant funding issues for the Board to be able to act in compliance with the DOJ's mandates.

"In 2017, a year in which the Board was not scheduled to conduct any elections, a special aldermanic election was required with significant unbudgeted additional expenses.

"In 2018, mere days before the primary election, the circuit court ordered the Board to post printed ballot notices in each of the 2,069 precincts with un-budgeted additional printing expenses of about $200,000 plus additional labor expenses to distribute those notices to each polling place.

6. *"As a preliminary response, the Board requires a reasonable period of time in which to investigate whether legal liabilities for the Board could arise by demanding repayment from an individual who had apparent authority to accept vacation compensation at the time it was offered to him.*

7. *"As a preliminary response, the Board agrees that this was a bookkeeping oversight. Pursuant to his contract, the Executive Director was awarded 40 days of vacation per year. The OIG Audit, instead of simply reporting the number of days accrued, made a rather uninformed comment as to the whether the ED ever takes vacations. Moving forward, the Board intends to account for the ED's vacation time, if he takes any*

8 *"As a preliminary response, and as indicated in the OIG's report, the Board receives its funding from both the City and the County (OIG Draft Audit at p. 8) Perhaps the biggest obstacle to this Recommendation of the OIG is best explained in the OIG's own words. "Accurate allocation of costs will require careful interpretation of the Code and the creation of a formal allocation framework." The OIG Audit Team used a memorandum created by Board's former General Counsel to create a framework in analyzing the Board's*

finances, but it failed to understand the years of historical reality that the Board has faced in receiving the necessary funding in order to administer elections. The OIG Audit Team fails to recognize that the Board cannot exert any control over the City or the County in how the individual government entities choose to interpret 10 ILCS 5/6-70,17-30, and 17-32(2), but has relied on its Executive Director to secure funding in a manner that is acceptable to all the parties. The OIG Audit Team appears to discount the prior attempts made by the Board to reach agreements on funding sources with the City and County and the lack of disagreement over the years from either of those entities.

"The chart in Appendix B may be informative, but the OIG is not a suitably independent entity to interpret these funding statutes. The OIG is an office of the City of Chicago and therefore lacks the public appearance of independence necessary to provide opinions that a separate unit of government (the County) should be funding Board expenses currently borne by the City.

"Furthermore, there are ways in which unforeseen circumstances can cause necessary expenditures that may not fall squarely within any particular framework. For example, in November of 2014, the state treasurer's election had such a narrow margin that it almost caused a statewide recount, and the added burdens on the post-election canvass caused the Board's staff to incur unexpected overtime for three additional weeks at substantial expense to the Board.

"In 2015, the mayoral election in February produced no winner, which then forced a run-off election for the office of mayor that the City removed from the Board's Budget. The City caused a six-month delay in providing funding to the Board for many of the necessary expenses related to the citywide run-off.

"In 2016, the Board entered into a consent decree with the U.S. Department of Justice regarding polling place accessibility. Almost all the public buildings that house the Board's polling places are owned by the City, thus causing significant funding issues for the Board to be able to act in compliance with the DOJ's mandates.

"In 2017, a year in which the Board was not scheduled to conduct any elections, a special aldermanic election was required with significant unbudgeted additional expenses. In 2018, mere days before the primary election, the circuit court ordered the Board to post printed ballot notices in each of the 2,069 precincts with un-budgeted additional printing expenses of about $200,000 plus additional labor expenses to distribute those notices to each polling place

9 *"The Board further responds that this Recommendation has already been performed in substantial part during the audit*

10. *"As a preliminary response, the Board requires reasonable time to assess the long-term feasibility issues of this Recommendation, as so much of the Board's activities happen at the ends and beginnings of fiscal years and the Board does not have unilateral control over the annual approval of its City and County budgets.*

    "For example, in November of 2014, the state treasurer's election had such a narrow margin that it almost caused a statewide recount, and the added burdens on the post-election canvass caused the Board's staff to incur unexpected overtime for three additional weeks at substantial expense to the Board.

    "In 2015, the mayoral election in February produced no winner, which then forced a run-off election for the office of mayor that the City removed from the Board's Budget. The City caused a six-month delay in providing funding to the Board for many of the necessary expenses related to the citywide run-off.

    "In 2016, the Board entered into a consent decree with the U.S. Department of Justice regarding polling place accessibility. Almost all the public buildings that house the Board's polling places are owned by the City, thus causing significant funding issues for the Board to be able to act in compliance with the DOJ's mandates.

    "In 2017, a year in which the Board was not scheduled to conduct any elections, a special aldermanic election was required with significant unbudgeted additional expenses.

    "In 2018, mere days before the primary election, the circuit court ordered the Board to post printed ballot notices in each of the 2,069 precincts with un-budgeted additional printing expenses of about $200,000 plus additional labor expenses to distribute those notices to each polling place.

11. *"As a preliminary response, the City mandated that the Board maintain a separate payroll for its hourly employees in 2005 The Board agrees with the Recommendation about segregating certain aspects of creating and managing employee accounts but requires reasonable time to investigate the feasibility of carrying forth the recommended changes.*

12. *"The Board completely agrees with the need for audits, transparency and certain recommendations for corrective measures, your deadline imposed on the Board to respond to your Findings and Recommendations does not afford the Board an adequate amount of time to assess your conclusions and propose a workable solution, if necessary. The Board is currently in the process of administering the Municipal Elections, and once the elections are completed, will complete its Final responses to the Findings and Recommendations*

13. *"As a preliminary response, the Board agrees with the OIG that an organized, professional, skilled purchasing staff is necessary for the Board to effectuate its procurement procedures and ensure a secure and central repository for all of its contracts. An attempt was made to hire an external candidate in 2014, but it ultimately became clear that she did not possess the skill set to achieve the results needed. This individual was also put in charge of a Task Force in an attempt to promote the smooth flow of documents and payments of contracts through the Finance Department, but she resigned her role as head of the Task Force before correcting the errors made by the former Fiscal Administrator. The Board is currently advertising for a new Purchasing Agent with the goal of finding a qualified and organized candidate who will correct the deficiencies present in the Purchasing Department. The Board requires reasonable time to employ a new purchasing agent, who then may address the feasibility of implementing the above recommendations.*

14. *"The Board requires a reasonable time to research City and County practices in order to provide a response as to the feasibility of following those guidelines with all of its purchasing. The Audit Team has failed to recognize the unique nature of election work, including the need to print ballots that meet state standards, for which there is a sole certified source within the state. For some matters like ballot printing, there are no other practical options"*

OIG Reply: OIG did not include CBOEC's ballot printing contract in the 28 procurements that did not align with City and/or County policies. Examples of procurements that did not align with City and County policies include security services, drape rental, and office supplies.

FINDING 2: CBOEC is not providing required benefits to some of its employees, does not budget accurately for personnel, and engages in hiring, compensation, and succession planning practices that are not transparent, performance-based, or in alignment with best practices.

OIG found that CBOEC is not fulfilling its obligations under the Patient Protection and Affordable Care Act (ACA), that it regularly overspent its personnel budgets, and that it included full-time hourly employees in its temporary employee budget requests. Further, CBOEC's hiring, compensation, and succession planning practices lack transparency, are not performance-based, and do not align with best practices.

1. CBOEC is not fulfilling its obligations under the Patient Protection and Affordable Care Act.

(a) Affordable Care Act Requirements[25]

Generally, the ACA mandates that certain types of employers provide minimum health coverage to at least 95% of their full-time employees and their dependents or potentially face financial penalties (also known as "shared responsibility payments").[26]

Employers must report information to their employees and the Internal Revenue Service (IRS) about whether they offered minimum coverage. These annual tax forms are used to determine whether employees qualify for the premium tax credit to purchase health insurance through the online Marketplace. An employer must make shared responsibility payments if at least one of their employees received the credit and purchased coverage. Failure to submit these forms may result in additional financial penalties.

The ACA defines two methods for identifying employees who qualify as full-time.[27] The "monthly" method defines this threshold as any employee who works, on

[25] For more information about the ACA, visit the IRS website at https://www.irs.gov/affordable-care-act The full text of the Act is available in the Federal Register at https://www.federalregister.gov/documents/2014/02/12/2014-03082/shared-responsibility-for-employers-regarding-health-coverage

[26] Applicable large employers have 50 or more full-time or full-time equivalent employees

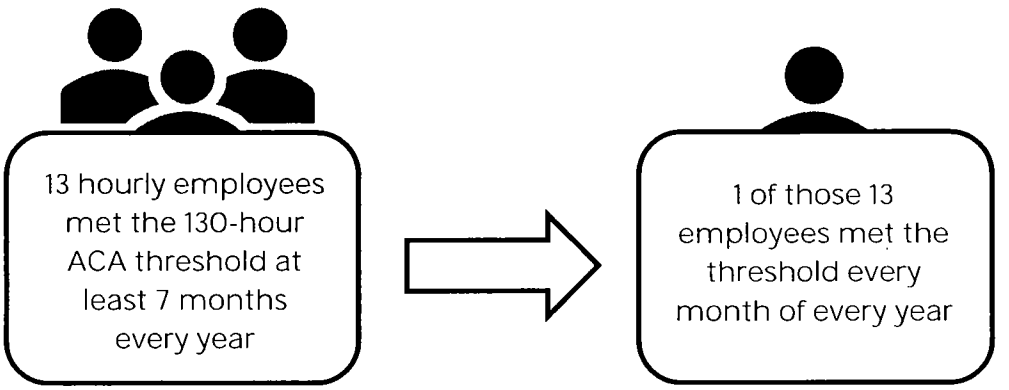
[27] Section 4980H of the Internal Revenue Code describes the methods for identifying eligible full-time employees

average, at least 130 hours per calendar month.[28] Exceptions are made for certain categories of workers, such as seasonal employees who meet the monthly hour threshold but typically work 6 months or fewer in a year.

(b) CBOEC Practices

While CBOEC's salaried employees receive City benefits, including health insurance, CBOEC also employs hourly workers who do not. These hourly employees are hired and paid independently by CBOEC, but funded by the City via CBOEC's Extra Hire budget appropriation.

CBOEC employed 154 hourly employees from January 2015 through December 2, 2017. OIG found that several of those employees regularly surpassed the 130-hour monthly threshold, and thus may have qualified as full-time under the ACA.[29] CBOEC did not provide annual tax statements to these employees or the IRS disclosing whether they were provided minimum coverage.



CBOEC did not meet these requirements because it has not conducted an analysis of its obligations under the ACA, despite its HR department's assertion that it has repeatedly attempted to engage executive management and legal counsel on this topic. CBOEC's HR director stated that CBOEC has struggled to balance its ability to comply with the ACA with the need to stay within its personnel budget. CBOEC also told OIG that it transitions certain hourly staff to salaried positions when they become available.

2. CBOEC does not budget accurately for personnel

OIG found that CBOEC does not budget accurately for personnel. CBOEC overspent its full-time salaried personnel budget three times in the five years between 2013 and

[28] OIG used the monthly method, because it was the only feasible method with the data provided by CBOEC.

[29] Some of CBOEC's hourly employees most likely qualify as seasonal, given that they work for only a few months in the periods before, during, and after elections.

2017, totaling $11 million in overages. When the years CBOEC underspent its budget are factored in, the cumulative effect is $908,790 over the personnel budget for this period.

FIGURE 8: CBOEC OVERSPENT ITS PERSONNEL BUDGET BY $908,790 FROM 2013-2017

Year	Amount Over or (Under) Budget	Percent Over or (Under) Budget
2013	$ 334,286.03	5.0%
2014	$ (109,605.89)	(1.3)%
2015	$ 662,004.46	4.6%
2016	$ 109,294.29	1.3%
2017	$ (87,189.05)	(1.2)%
Total	**$ 908,789.84**	**2.0%**

Source: OIG assessment of 2013-2017 City budget documents.

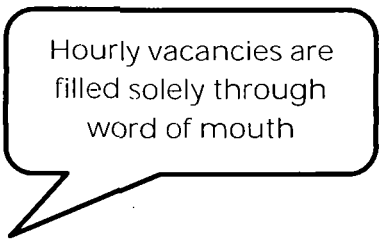
OIG also determined that CBOEC's budget requests to the City may not represent all its full-time employees. Between 2013 and 2016, CBOEC used its Extra Hire budget appropriation to fund long-term hourly employees. The City told OIG that it believed this appropriation was used solely for temporary election assistance, although CBOEC's budget requests specified that some employees would work 40 hours a week, 52 weeks a year.

CBOEC stated that it retains large numbers of hourly staff because its employees accrue large amounts of compensatory time during the long hours of election season, and that it needs to ensure coverage in the event employees use this time to take long absences from work. CBOEC also asserted that its budget did not allow it to transition all full-time hourly employees into salaried positions. However, three CBOEC managers stated that the agency is overstaffed. CBOEC has not conducted a staffing analysis to determine whether it is appropriately staffed across its operations.

3. CBOEC's hiring practices are not transparent.

OIG compared CBOEC's hiring practices to strategic workforce best practices published by the US Government Accountability Office (GAO).[30] The GAO recommends that agencies approach workforce planning by building in transparency, developing hiring tools, cooperating with external stakeholders, and including HR professionals in the planning process.

[30] US Government Accountability Office, "GAO-04-39: Key Principles for Effective Strategic Workforce Planning," December 2003, accessed November 2018, http://www.gao.gov/assets/250/240816.pdf



OIG found that CBOEC's hiring and recruitment practices lack transparency. CBOEC's HR department confirmed that job postings for managerial positions are almost exclusively internal, while hourly vacancies are not advertised and filled solely through word of mouth. According to CBOEC's HR Director, CBOEC last posted a position externally in 2014.[31]

OIG also found that CBOEC's HR department is not consistently involved throughout the hiring process, and that its HR director does not receive all hiring-related documents. Instead, the assistant executive director is responsible for reviewing applicants, scheduling interviews, forming the hiring panel, and retaining records of interview scores.

The lack of a transparent hiring and promotional system may contribute to employee perception that the process is unfair. Multiple CBOEC managers told OIG that the belief among staff is that management makes hiring decisions before positions are posted.

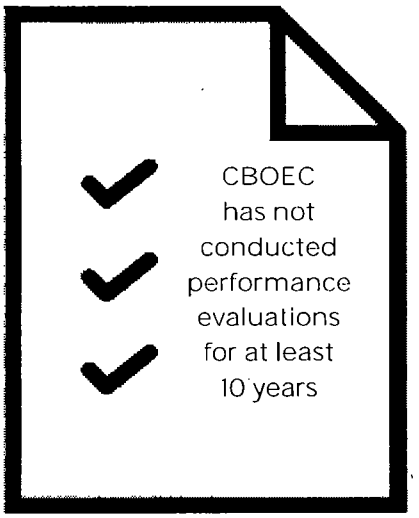
These practices were made possible in part because CBOEC does not have a documented hiring policy. According to CBOEC's HR department, CBOEC is a unique office and is reluctant to hire external staff who are unfamiliar with its operations. CBOEC asserts its independence from City and County oversight, sets its own promotional and hiring rules, and is not subject to the requirements of the *Shakman* consent decrees governing most City and County hiring practices. As such, the City's Department of Human Resources has not been involved in aspects of the hiring process that it typically administers, such as conducting market research for pay rates and developing job descriptions.

4. CBOEC does not have a transparent, standardized pay raise system grounded in a formal performance evaluation framework.

While GAO best practices state that employers should link pay raises to employee performance, CBOEC does not have a standardized performance evaluation system and has not conducted performance evaluations for at least 10 years [32] The most recent evaluation took place in 2008; prior to that, the last occurred in 2003

[31] During the Exit Conference, CBOEC's legal counsel stated that this statement was inaccurate, but did not provide any supporting documentation

[32] US Government Accountability Office, "GAO-03-488 Results-Oriented Cultures Creating a Clear Linkage between Individual Performance and Organizational Success," March 2003, accessed November 26, 2018, http://www.gao.gov/assets/240/237578.pdf



CBOEC's HR department stated that the office has an informal culture of pay raises. CBOEC does not adhere to a fixed schedule whereby employees receive standard increases on a periodic basis. Instead, it uses a non-binding plan as a guide for salary increases. Hourly employees have no standard starting rate, schedule for increases, or standard increase amount. Pay increases for CBOEC employees are based solely on managerial recommendations.

This lack of a standardized, documented, and transparent system exposes CBOEC to the risk that employees will perceive pay disparities as unfair. In 2015, a terminated employee sued CBOEC, alleging pay discrimination among other claims. CBOEC and the former employee ultimately settled the suit for $32,473, which the City paid. The case record raises the possibility that the court denied CBOEC's pre-settlement motion for summary judgment on the basis of a lack of clear evidence that the disparity was justified by lawful considerations. In other words, the shortcomings of CBOEC's system for setting salaries may have put it in a position where the best legal strategy was to settle the case with the City's money. OIG also found that CBOEC allowed an individual to direct its Finance Department for nearly four years, though the executive director stated the employee was not qualified for that position and exhibited numerous performance problems throughout their tenure. In fact, CBOEC gave the employee a raise during this period.

Again, CBOEC asserts its independence from City and County oversight and sets its own rules regarding employee promotions. However, it does not have processes or policies dictating the frequency and scale at which raises should occur, and has not updated its HR policies and procedures manual since 1996.[33] While regular performance evaluations were proposed to CBOEC's executive management, no regular evaluation process was implemented. In addition, job descriptions that would inform evaluations have not been updated since the 1990s.[34] The US Election Assistance Commission (EAC) recommends that well-designed employment policies

[33] CBOEC's HR Department began drafting an updated HR manual during OIG's audit.

[34] Notably, CBOEC did not write additional job descriptions for temporary staff despite receiving a recommendation to do so in a 2016 internal controls review by an outside consultant. See BKD CPAs and Advisors, "Post-Election Testing of Voting Equipment (5% Audit) Review," September 29, 2016, accessed October 10, 2018, http://app.chicagoelections.com/documents/general/G2016-BKD-5-Percent-Audit-Report.pdf

and procedures, as well as job descriptions, are critical to ensuring accuracy and uniformity of service by election administrators.[35]

5. CBOEC does not have succession plans for leadership and other critical positions.

Succession planning ensures that institutional knowledge is not lost when critical personnel leave an employer. According to the EAC, clear job descriptions, chains of command, and detailed policies and procedures are essential components of this planning.

CBOEC does not have such plans in place for leadership and other critical positions. During OIG's audit, director-level staff in the HR, Finance, Telecommunications, and general counsel's office either did not know where key documentation was stored, had to spend significant time locating and reviewing files left by previous senior level staff, or had no knowledge of how their role had operated under their predecessor. As discussed above, CBOEC has not updated its HR policies and procedures or job descriptions since the 1990s.

CBOEC's HR director told OIG that CBOEC had not prioritized the development of these plans because staff rarely leave the office, and such plans have therefore been unnecessary.

RECOMMENDATIONS

1. CBOEC should immediately ensure that it is in compliance with the ACA by conducting a full analysis of employees eligible for health benefits, using one of the methods described in the law. Based on this analysis, CBOEC should begin to compensate covered employees appropriately and should provide all required reports to its employees and the IRS.
2. CBOEC should conduct a staffing analysis that considers varying workloads throughout the four-year election cycle. CBOEC should also come to agreement with the City on whether it is acceptable to utilize the Extra Hire appropriation for the purposes of hiring and compensating long-term hourly employees, and adjust its budget requests as appropriate.
3. CBOEC executive management should empower its HR department to develop standardized, transparent policies by establishing a tone at the top that supports strategic workforce planning. Specifically,

[35] US Election Assistance Commission, "Election Management Guidelines Chapter 18 Elections Office Administration," August 2010, 176-177, accessed November 27, 2018, https://www.eac.gov/election-officials/election-management-guidelines/

a. CBOEC should develop a documented and transparent hiring policy that includes clearly defined hiring roles. In doing so, CBOEC should utilize the expertise of City and County partners to develop a robust plan that meets CBOEC's unique needs. For example, CBOEC may seek assistance in researching pay rates.

b CBOEC should implement a transparent and standardized performance management program, and document clear criteria for salary increases. CBOEC should utilize the expertise of City and County partners to assist with development of this program.

c. CBOEC should develop clear and detailed policies and procedures to ensure accuracy and uniformity in its operations, and develop clear job descriptions to avoid losing institutional memory during staff turnover. Here, too, CBOEC should utilize the expertise of City and County partners to assist with development of these processes

MANAGEMENT RESPONSE

1. *"As previously noted, while the Board completely agrees with the need for audits, transparency and certain recommendations for corrective measures, your deadline imposed on the Board to respond to your Findings and Recommendations does not afford the Board an adequate amount of time to assess your conclusions and propose a workable solution, if necessary. The Board is currently in the process of administering the Municipal Elections, and once the elections are completed, will complete its Final responses to the Findings and Recommendations.*

   "As a preliminary response, there have been in the past — and undoubtedly will be in the future — unforeseen circumstances that cause sudden and substantial changes in workload for the Board and, therefore, in staffing needs. For example, in November of 2014, the state treasurer's election had such a narrow margin that it almost caused a statewide recount, and the added burdens on the post-election canvass caused the Board's staff to incur unexpected overtime for three additional weeks.

   "In 2015, the mayoral election in February produced no winner, which then forced a run-off election for the office of mayor that the City removed from the Board's Budget. The City caused a six-month delay in providing funding to the Board for many of the necessary expenses related to the citywide run-off.

   "In 2016, the Board entered into a consent decree with the U.S. Department of Justice regarding polling place accessibility. Almost all the public buildings that house the Board's polling places are owned by the City, thus causing significant funding issues for the Board to be able to act in compliance with the DOJ's mandates

"In 2017, a year in which the Board was not scheduled to conduct any elections, a special aldermanic election was required with significant unbudgeted additional expenses.

"In 2018, mere days before the primary election, the circuit court ordered the Board to post printed ballot notices in each of the 2,069 precincts with un-budgeted additional printing expenses of about $200,000 plus additional labor expenses to distribute those notices to each polling place.

2. *"As previously noted, while the Board completely agrees with the need for audits, transparency and certain recommendations for corrective measures, your deadline imposed on the Board to respond to your Findings and Recommendations does not afford the Board an adequate amount of time to assess your conclusions and propose a workable solution, if necessary The Board is currently in the process of administering the Municipal Elections, and once the elections are completed, will complete its Final responses to the Findings and Recommendations.*

   "As a preliminary response, there have been in the past — and undoubtedly will be in the future — unforeseen circumstances that cause sudden and substantial changes in workload for the Board and, therefore, in staffing needs.

3. *"As a preliminary response, in 2017 the Board hired a new HR manager who has been working to insure all polices are complied with, revisions are underway to the Employee Handbook, a system for routine employee performance evaluations is in being developed, and numerous other practices are being streamlined and improved."*

FINDING 3: CBOEC does not have a contingency plan to maintain continuity of operations in the event of attack or disaster.

OIG determined that CBOEC departs from best practices by not having a contingency plan in place.[36] Without such plans, CBOEC cannot assure the public that it would be capable of maintaining the continuity and integrity of election operations in the event of a disruption, attack, or natural disaster.

In response to OIG's request for a copy of its contingency plan, CBOEC provided a draft of its 2018-2022 Infrastructure Plan.[37] Although this plan references a need to improve contingency planning, it does not contain or describe any contingency assessments CBOEC has conducted, or any contingency policies or procedures it has adopted. The Infrastructure Plan therefore does not meet EAC's best practice threshold for a contingency plan.

OIG also determined that CBOEC lacks a complete inventory of its information technology hardware or software. According to the National Institute of Standards and Technology (NIST)[38] and the Department of Homeland Security, maintaining a comprehensive inventory of IT hardware and software is a core component of contingency planning.[39] NIST also identifies inventories of hardware and software as

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[36] Contingency plans define and guide operations in the event of emergency and crisis situations. As described by the EAC, the function of these plans is to maintain continuity of operations in events such as natural disasters, unexpected political and social events, election-related emergencies, and technology failures. Contingency plans typically include assessments of risk and impact, as well as defined actions to address specific types of events.

[37] CBOEC's 2013-2015 Infrastructure Plan is available on its website at https://app.chicagoelections.com/documents/general/P2014-InfrastructureReport.pdf

[38] US National Institute of Standards and Technology, "Contingency Planning for Federal Information Systems," 10, May 2010, accessed November 14, 2018, https://nvlpubs.nist.gov/nistpubs/Legacy/SP/nistspecialpublication800-34r1.pdf and US Department of Homeland Security, Industrial Control Systems Cyber Emergency Response Team, "Best Practices for Continuity of Operations (Handling Destructive Malware)," January 2015, accessed November 14, 2018, https://ics-cert.us-cert.gov/tips/ICS-TIP-15-022-01

[39] US National Institute of Standards and Technology, "Contingency Planning for Federal Information Systems," 10, May 2010, accessed November 14, 2018, https://nvlpubs.nist.gov/nistpubs/Legacy/SP/nistspecialpublication800-34r1.pdf and US Department of Homeland Security, Industrial Control Systems Cyber Emergency Response Team, "Best Practices for Continuity of Operations (Handling Destructive Malware)," January 2015, accessed November 14, 2018, https://ics-cert.us-cert.gov/tips/ICS-TIP-15-022-01

core aspects of its cybersecurity framework.[40] CBOEC's lack of IT inventories may hamper its ability to recover from an attack or natural disaster.

CBOEC lacks these safeguards because it has not prioritized contingency planning and change management. According to CBOEC's IT manager, no IT audits, risk assessments, or inventories had been performed in at least 12 years.[41] During the audit, CBOEC stated that it had begun to compile an inventory of its IT hardware and that, acting jointly with the County, it hired an external IT security expert to address this issue.

RECOMMENDATIONS

1. CBOEC should create a detailed contingency plan to maintain continuity of operations in the event of attack or disaster. The process of creating this plan should include robust assessments of operational risks and impacts. Once the plan has been established, CBOEC should ensure that it is readily available to staff and provide training on its implementation.
2. CBOEC should complete and regularly maintain inventories of its IT hardware and software.

MANAGEMENT RESPONSE

1. *"As a preliminary response, while the Board already has contingency plans in place for various emergency scenarios, including matters consulted with and agreed upon with the FBI and Department of Homeland Security, it agrees with the wisdom of memorializing those plans in a confidential written format. The Board also recently retained the services an election information security officer that it shares with the County.*
2. *"As a preliminary response, the Board agrees that maintaining regular inventories is a best practice. The new IT Manager hired in 2016 has established a procedure for inventorying IT hardware and software. Additionally, in April 2019, after 2 years of trying to locate funding, will be implementing a virtualization server that will save space and increase financial efficiency. After*

[40] US National Institute of Standards and Technology "Framework for Improving Critical Infrastructure Cybersecurity,"24, April 2018, accessed November 14, 2018, https://nvlpubs.nist.gov/nistpubs/CSWP/NIST.CSWP.04162018.pdf

[41] CBOEC stated that it maintains a separate inventory of voting equipment. OIG did not evaluate the accuracy or completeness of CBOEC's voting equipment inventory.

that it is in place, IT will work towards implementing a new disaster-recovery system."

IV. OBJECTIVES, SCOPE, AND METHODOLOGY

A. OBJECTIVES

The objectives of this audit were to determine whether CBOEC,

- employed sufficient financial controls to prevent fraud, waste, and abuse;
- had a human resources program designed to support its mission; and
- maintained a contingency plan designed to ensure continuity of operations in the event of attack or disaster.

B. SCOPE

This audit examined how effectively CBOEC managed its salaries and expenditures. The temporal scope of this portion of the audit was limited to the 2015 and 2016 Fiscal Years for Cook County and the City of Chicago, respectively.[42]

The audit also assessed the efficiency of CBOEC's operations by reviewing its human resource practices—including staffing levels, hiring practices, and performance management—and examined whether CBOEC had a contingency plan designed to ensure continuity of operations. The temporal scope for this portion of the audit spanned the 2013 to 2017 calendar years.

OIG did not evaluate the voter registration process, election-specific operations, or election integrity in this audit.

C. METHODOLOGY

To address all objectives, OIG conducted nearly 100 in-person or phone interviews with CBOEC management and staff, as well as representatives from its funding entities, certifying bodies, and peer agencies. OIG reviewed hundreds of files illustrating CBOEC's financial management and human resources operations and, where possible, supplemented this review with in-person observation.

CBOEC's three commissioners declined OIG's request for an interview, stating through the general counsel that they did not believe their participation would be beneficial.

[42] The City of Chicago's fiscal year matches the calendar year, while Cook County's fiscal year runs December 1 through November 30

1 Financial Controls

To determine whether CBOEC's City- and County-funded non-personnel expenditures were accurate, recorded in the correct fiscal year, and allowed under CBOEC, City, and County policies, OIG examined all County-funded non-personnel expenditures in 2015 and 2016, as well as a probability sample of City-funded non-personnel expenditures from the same years. Non-personnel expenditures included payments to vendors, employee reimbursements, and reimbursements to CBOEC's Election Administration and Early Voting checking accounts. We reviewed the payment requests themselves, along with associated documentation such as invoices, and compared them with CBOEC, City, and County policies governing expenditures of these types. From that comparison we determined the value of expenditures that did not adhere to each policy, the value of expenditures not supported by documentation, and the value of expenditures posted in the wrong year (according to Governmental Accounting Standards Board (GASB) Interpretation Six).[43] We then extrapolated the City sample results to the full population.

OIG also compared state-grant funded expenditures from CBOEC's Election Administration account to the applicable grant requirements. CBOEC did not provide enough information to determine the funding source(s) for $147,377 in 2015-2016 expenditures from its Early Voting account, or the source of the unspent funds in the account; we therefore reached no conclusions regarding these funds.

To determine whether CBOEC correctly allocated expenses to the City and County, OIG reviewed general ledger statements, payment requests, invoices, and other supporting documentation, and evaluated the allocations with reference to cost allocation requirements in 10 ILCS 5/6-70, 17-30 and 17-32(2), as well as guidance memos written by CBOEC's former general counsel. We examined all County-funded non-personnel expenditures in 2015 and 2016, as well as a probability sample of City-funded non-personnel expenditures from the same years. We also examined City- and County-funded personnel expenditures during this time. We could not evaluate County-funded payments to Election Day workers, because the data provided by the County did not include job title.

To determine the accuracy of hourly employee payrolls, OIG intended to compare electronic timekeeping data to payroll data. However, CBOEC was unable to provide

[43] The City and County use the modified accrual method of accounting for certain funds in their financial statements. GASB Interpretation Six clarifies that when using this method, "in the absence of an explicit requirement to do otherwise, a government should accrue a governmental fund liability and expenditure in the period in which the government incurs the liability." See Governmental Accounting Standards Board, "Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements," 4, March 2000, accessed October 18, 2018, http://gasb.org/jsp/GASB/Document_C/DocumentPage?cid=1176160037591&acceptedDisclaimer=true

timekeeping data in a format suitable for analysis. We were therefore unable to determine the accuracy of payrolls for hourly employees. We instead limited our analysis to a reconciliation of CBOEC's hourly payroll expenses with City and County payment data to determine if CBOEC requested the correct reimbursement amount from each entity.

To determine whether the amount that CBOEC paid its contractors exceeded contractual limits, OIG first selected a non-random sample of 17 contracts active during 2016, which included contracts with individual consultants, IT vendors, and vendors providing services directly related to election administration. A sample was necessary because CBOEC did not keep a complete inventory of its contracts, precluding us from examining all, or a random sample of contracts. We reviewed each contract within the non-random sample to identify compensation limits and contract expiration dates, and then compared these against payment records to each vendor, including payment requests and associated invoices, in order to determine which payments were made after the contract's compensation limit had already been reached or for work performed after the expiration of the contract.

To determine the volume of unaccounted for cash and checks from CBOEC's revenue-generating operations, OIG compared CBOEC's receipt records for these transactions against deposit receipts at the City's Department of Finance.

To determine the value of CBOEC City-funded vendor payments assigned to the wrong budget code or series, OIG used a report designed by CBOEC's new finance director to assign the correct appropriation code to each payment based on operational relationships with its vendors. We first confirmed the reliability of the report by examining a random sample of 50 payments, including the assigned appropriation codes, general ledger line descriptions, and information from associated invoices and payment requests, in order to determine how each expense should have been classified.[44] We found that the report was accurate and that CBOEC's methodology for properly reclassifying these payments was sound. We then applied this methodology to all City-funded vendor payments in 2015 and 2016 to identify the total value of payments that were assigned the wrong appropriation code.

To determine whether CBOEC's checking accounts and payroll processes had adequate controls to detect or prevent fraud, waste, and abuse, OIG interviewed CBOEC's Finance Department director and staff, and participated in walkthroughs of their processes

[44] Based on the sample, we are 95% confident that the population error rate associated with CBOEC's method for reassigning appropriation codes is no greater than 5.7%

To determine the value of CBOEC procurements that did not adhere to CBOEC, City, and County procurement policies, OIG first reviewed payments to all vendors paid $10,000 or more in 2016. We collected any available contract documents related to the selected vendors, as well as supplementary materials such as invoices and payment requests. We then compared the details of each procurement as illustrated in these documents against CBOEC's own procurement policies, as well as City and County policies. We supplemented this information with interviews with CBOEC's Purchasing Department director.

2. Human Resources

To determine if CBOEC's employment practices complied with the Patient Protection and Affordable Care Act, we reviewed CBOEC's hourly employee timekeeping and payroll data from January 1, 2015 through December 2, 2017. We then evaluated the data in light of the legal requirements, specifically by using the Act's monthly measurement method, which defines full-time employees as those working an average of at least 130 hours per calendar month.

To determine whether CBOEC incorporated key elements of strategic workforce planning into its human resources program, we interviewed CBOEC's current and former Human Resources directors and staff and reviewed its policies and practices, including its employee handbook and salary plan. We compared these to human resources best practices for election office administration published by the US Election Assistance Commission (EAC) and strategic workforce planning best practices published by the US Government Accountability Office (GAO).

To determine whether CBOEC adhered to a salary schedule when awarding raises, we reviewed CBOEC's salary plan in consultation with its Human Resources director and the relevant City officials.

3. Contingency Planning

To determine if CBOEC had a contingency plan effectively designed to maintain continuity of operations in the event of attack or disaster, we reviewed contingency plan best practices published by the EAC, GAO, and Department of Homeland Security, and requested evidence of CBOEC's contingency plan.

D. STANDARDS

We conducted this audit in accordance with generally accepted Government Auditing Standards issued by the Comptroller General of the United States. 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.

E. AUTHORITY AND ROLE

OIG's authority to perform audits is established in the City Municipal Code, § 2-56-030 which states that OIG has the power and duty to review the programs of City government in order to identify any inefficiencies, waste and potential for misconduct, and to promote economy, efficiency, effectiveness, and integrity in the administration of City programs and operations. Additionally, the Chief Judge of the Circuit Court of Cook County authorized OIG to conduct this audit. The Chief Judge's letter authorized OIG to audit CBOEC's salaries and expenditures (aspects of which are effected through the City, involving significant City funds and the use of City systems and operations) and related controls, and to determine other audit objectives to address areas of highest risk. See Appendix A for a copy of the Chief Judge's designation later.

V. APPENDIX A: EXTERNAL AUDITOR DESIGNATION LETTER

The following is the letter from the Chief Judge of the Circuit Court of Cook County designating OIG as an external auditor for this engagement.

State of Illinois
Circuit Court of Cook County

Chambers of
Timothy C. Evans
Chief Judge

April 17, 2017

50 West Washington Street
Suite 2600
Richard J. Daley Center
Chicago, Illinois 60602
(312) 603-6000

Joseph M. Ferguson
Inspector General for the City of Chicago
740 North Sedgwick Street, Suite 200
Chicago, Illinois 60654

Dear Mr. Ferguson,

Pursuant to the Election Code, 10 ILCS 5/6-70, and subject to your concurrence with the provisions outlined below, I hereby designate your office (OIG) to serve as an "independent external auditor" of the books and records of the Chicago Board of Election Commissioners (CBOEC). This designation authorizes OIG to conduct an audit of CBOEC's salaries and expenditures in accordance with *Generally Accepted Government Auditing Standards* (the Yellow Book) issued by the Comptroller General of the United States of the U.S. Government Accountability Office. The audit process shall begin on or after May 1, 2017, and, at a minimum, shall address financial activities reported by the City of Chicago for its fiscal year ended December 31, 2016, and by Cook County for its fiscal year ended November 30, 2016.

The CBOEC has assured me it will fully cooperate with OIG during the audit process.

As the Yellow Book indicates, "*Government Auditing Standards* provide a framework for performing high-quality audit work with competence, integrity, objectivity, and independence to provide accountability and to help improve government operations and services." The Illinois Election Code does not specifically require an audit in accordance with the Yellow Book; however, the court requests that the audit be conducted in accordance with the standards for performance audits outlined therein.

The court requires that in performing the audit OIG shall, at a minimum:

- Assess the risk that internal controls over salaries and expenditures are not effective. "Salaries" includes hourly wages and overtime compensation for full time, part time, and temporary employees. "Expenditures" includes all other payments, such as payments to vendors, employee travel expense reimbursements, and rental expenses.
- Pursuant to the risk assessment, design audit objectives and tests of the areas of highest risk, using risk-based sampling as appropriate.
- Within the context of the audit objectives, perform audit tests assessing,

Joseph M. Ferguson
April 17, 2017
Page Two

- design and implementation of internal controls;
- compliance with applicable laws, regulations, and policies;
- effectiveness and efficiency of operations; and
- the scope of any potential abuse identified during the audit, such as misusing official positions for personal gain.

- Utilize procedures including, but not limited to, observing CBOEC activities; interviewing CBOEC staff and management; obtaining and analyzing documents and data related to CBOEC staffing levels, duties, and compensation; and obtaining and analyzing CBOEC financial records and vendor contracts.

In addition, OIG has proposed to obtain and analyze non-financial information such as recent and historical data on the number of voters per precinct. This procedure is not required for the court's purposes. Nevertheless, I authorize OIG to conduct the procedure in conjunction with the audit, if OIG deems it appropriate in the context of the audit objectives.

Upon completion, the court requires that OIG prepare and submit a written report of its findings to my office. OIG may also subject the resulting report to your office's regular reporting protocols, including a follow-up report on any corrective actions. OIG shall solicit from CBOEC responses to your audit findings and publish them as part of the report. We request that you provide the draft report to my office at the same time that you provide it to CBOEC.

If you accept the court's designation of OIG as the independent external auditor, please sign below and return this letter to my office, keeping a copy for your records.

I deeply appreciate your assistance in helping the court satisfy its audit requirements.

Sincerely,

Timothy C. Evans
Chief Judge
Circuit Court of Cook County

Agreed: _____ 4/28/17
Joseph M. Ferguson Date

VI. APPENDIX B: ILLINOIS COMPILED STATUTES GOVERNING CBOEC FUNDING SOURCES

The following three sections of the Illinois Election Code describe which expenses should be paid by the County and City.

A. 10 ILCS 5/6-70

(Text of Section after amendment by P.A. 100-1027)

Sec. 6-70. Such election commissioners and the executive director of the Board of Election Commissioners shall be paid by the county. In counties having a population of 500,000 or more, the city first adopting the provisions of this Act shall pay the salary of the assistant executive director. In all other counties such salary shall be paid by the county. In cities, villages and incorporated towns having a population less than 25,000 as determined by the last federal census, the election commissioners shall receive a salary of not less than $1,800 per annum. If the population is 25,000 or more but less than 40,000 the election commissioners shall receive a salary of not less than $2,400 per annum, to be determined by the county board. If the population is 40,000 or more but less than 70,000 the election commissioners shall receive a salary of not less than $2,100 per annum, to be determined by the county board. If the population is 70,000 or more but less than 100,000 the election commissioners shall receive a salary of not less than $2,700 per annum, to be determined by the county board. If the population is 100,000 or more but less than 2,000,000 the election commissioners shall receive a salary of not less than $3,200 per annum, to be determined by the county board. The chair of a board of election commissioners, in counties with a population of less than 2,000,000, shall be paid by the county an additional amount equal to 10% of his salary as an election commissioner. If the population is less than 25,000 the executive director shall receive a salary of not less than $4,500 per annum. If the population is 25,000 or more but less than 40,000 the executive director shall receive a salary of not less than $8,000 per annum, and in such cities, villages and incorporated towns there may be employed one assistant executive director who shall receive a salary of not less than $6,000 per annum. If the population is 40,000 or more but less than 70,000 the executive director shall receive a salary of not less than $9,500 per annum, and in such cities, villages and incorporated towns there may be employed one assistant executive director who shall receive a salary of not less than $7,500 per annum. If the population is 70,000 or more but less than 100,000 the executive director shall receive a salary of not less than $11,000 per annum, and in such cities, villages and incorporated towns there may be employed one assistant executive director who shall receive a salary of not less than $8,000 per annum. If the population is 100,000 or more but less than 2,000,000 the executive director shall receive a salary of not less than $12,000 per annum, and in such cities, villages and incorporated towns there may be employed one assistant executive director who

shall receive a salary of not less than $8,000 per annum. It shall be the duty of the Board of Election Commissioners in such cities, villages and incorporated towns to fix the salary of the executive director and assistant executive director at the time of appointment of the clerk. In cities, villages and incorporated towns with a population greater than 2,000,000 the election commissioners shall receive a salary of not less than $21,000, provided, however, that the chair of the Board of Election Commissioners shall receive a salary, as set by and from time to time changed by the Board of County Commissioners, of not less than $35,000 per annum and shall hold no other office. In cities, villages and incorporated towns with a population greater than 2,000,000, such other election commissioners shall hold no other office. In cities, villages and incorporated towns with a population greater than 2,000,000 the executive director and employees of the Board of Election Commissioners shall serve on a full-time basis and shall hold no other office. In cities, villages and incorporated towns with a population of greater than 2,000,000, no election commissioner, executive director nor employee shall participate in any manner, in any activity or interests of any political party or of any candidate for public office or for nomination thereof, nor participate in any political campaign for the nomination or election of candidates for public office. Violation of any provision hereof shall be cause for removal from office or dismissal, as the case may be; provided, that nothing contained herein shall be deemed to interfere with the right of any person to vote for any candidate or upon any issue as his reason and conscience may dictate nor interfere with the duties of his office. All expenses incurred by such Board of Election Commissioners shall be paid by such city.

The salaries and expenditures are to be audited by the chief circuit judge, who may designate an independent external auditor to perform the task, and the salaries and expenditures shall be paid by the county or city treasurer, as the case may be, upon the warrant of the chief circuit judge of any money in the county or city treasury, as the case may be, not otherwise appropriated. It shall also be the duty of the governing authority of those counties and cities, respectively, to make provisions for the prompt payment of the salaries and expenditures.
(Source: P.A. 100-1027, eff. 1-1-19.)

B. 10 ILCS 5/17-30

Sec. 17-30. Except as provided herein, each county shall provide for and pay the costs and expenses of all elections within the county other than within the jurisdiction of a municipal Board of Election Commissioners, as well as the costs expended within the jurisdiction of a municipal Board of Election Commissioners for the registration and canvassing of voters in even-numbered years. Each municipality with the first Board of Election Commissioners established within a county shall provide for and pay the costs and expenses of all elections within the jurisdiction of the Board of Election Commissioners. The State shall reimburse each county and municipality in the

amount of the increase in compensation provided in Public Acts 81-850 and 81-1149 and by this amendatory Act of 1998.

For each emergency referendum and each special election not conducted at the time of a regular election, each county and municipality responsible for paying for the costs and expenses shall directly pay for or be reimbursed by every other political subdivision for which officers or public questions are on the ballot within the jurisdiction of the election authority of such county or municipality except such costs and expenses as are required to be reimbursed by the State. For each primary election for the nomination of municipal officers held in a municipality with a population of 5000 or less in accordance with Article 7, the county in which such municipality is located shall be reimbursed by the municipality for all costs and expenses attributable to such primary election, except for those costs and expenses required to be reimbursed by the State. Each such political subdivision shall provide for and shall promptly pay such reimbursement of the total costs and expenses of that election attributable to its offices or propositions as the case may be, not including such costs and expenses as are required to be reimbursed by the State. (Source: P.A. 90-672, eff. 7-31-98.)

C. 10 ILCS 5/17-32 (2)

Sec. 17-32. (1) The following shall be added together to determine the total costs and expenses of an emergency referendum or special election not conducted at the time of a regular election reimbursed to the county or municipality under the jurisdiction of a board of election commissioners by the political subdivisions:

(a) The cost of printing and distributing ballots and other printed material used in or for the election;

(b) The amounts paid to judges of election for election day duties;

(c) Extra office expenses of the election authority, including (i) postage and (ii) compensation to temporary employees which are directly attributable to election day and the canvass of the votes of political subdivision candidates and propositions, whenever applicable.

(d) The cost of election day supplies used in the election;

(e) The cost of delivery and return of election day materials and supplies, including voting machines and voting devices used in connection with an electronic voting system; and

(f) The cost of renting polling places, computers and any other property, the use of which is directly attributable to election day activities

(2) Any county of more than 1,000,000 inhabitants in which there is a municipal board of election commissioners shall reimburse that board for, or shall pay directly, the cost items hereinafter specified incurred by that board in relation to the territory within its jurisdiction for each general primary and general election and for any other

election where such cost items are incurred or increased as a result of the certification of candidates or public questions by the county clerk to such board:

(a) The cost of printing and distributing ballots;

(b) The amounts paid to judges of election for election day duties;

(c) Costs attributable to the canvass of votes;

(d) The cost of delivery and return of election day materials and supplies, including voting devices and equipment used in conjunction with an electronic voting system; and

(e) The cost of renting polling places, computers, and other property, the use of which is directly attributable to election day activities.

However, the State shall pay the amount of the increase in compensation for judges of election, registrars and canvassers provided in Public Acts 81-850 and 81-1149. (Source: P.A. 83-999.)

VII. APPENDIX C: CBOEC'S RESPONSE LETTER

CBOEC provided the following letter in response to the audit. At CBOEC's request, we have removed explicit references to material CBOEC considers confidential from the audit and the response letter. OIG disagrees with several statements in the letter, as noted in the Executive Summary and following the CBOEC responses to recommendations 1, 4, and 14.

Commissioners
Marisel A. Hernandez, Chair
William J. Kresse, Secretary/Commissioner
Jonathan T. Swain, Commissioner
Lance Gough, Executive Director

Chicago Board of Election Commissioners

January 16, 2019

Mr. Joseph M. Ferguson
Inspector General
Chicago Office of Inspector General
740 North Sedgwick, Suite 200
Chicago, Illinois 60654

Re: Preliminary response to the findings and recommendations of your audit of the Chicago Board of Election Commissioners

Dear Inspector General Ferguson:

The Chicago Board of Election Commissioners (Board) appreciates the time and effort that the staff of the Office of the Inspector General (OIG) devoted to the audit engagement. The Board also values the role of internal auditors in positing various suggestions in an effort to have the Board more effectively, efficiently and transparently carry out its mission. At the outset, we remind the OIG that the Board is not a Department of the City of Chicago and Lance Gough is not a Department Head but, rather, an Executive Director (ED) who reports to the Commissioners.

During the Board's meeting with your Audit Team on December 21, 2018, your staff noted that the deadline of Thursday, January 17, 2019, was a date set solely by you. When asked whether there was any reason for the short deadline, your staff failed to provide one. The Board is entitled to a "reasonable" amount of time to provide responses to auditors under Section 6.60 of the Government Auditing Standards published by the U.S. Government Accountability Office (the "Yellow Book"). Requiring responses in such a short timeframe during the Board's busiest four-month period out of a four-year election cycle is simply unreasonable. It is also worth mentioning that under Section 6.70(a) of the Yellow Book standards, the final audit report is to be distributed only to "those charged with governance [the Commissioners], to the appropriate audited entity officials [the ED], and to the appropriate oversight bodies or organizations requiring or arranging for the audits [the Chief Judge]." 10 ILCS 5/6-70.

The Board has requested – and the Chief Judge has not objected to – a reasonable time within which the Board may provide detailed and thorough responses to the comprehensive operational audit your office performed, up to and including May 31, 2019. The following responses are preliminary in nature and have not received final approval from the Board or ED Gough. They should, however, be an indication of the Board's desire to address every issue raised in your draft report when the Board has a reasonable opportunity to do so. Once we have adequate time to thoroughly prepare responses and corrections, we will release our final responses with the approval of the Chief Judge

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January 16, 2019
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The Board's Preliminary Responses are as follows:

The Board completely agrees with the need for audits, transparency and certain recommendations for corrective measures, but your deadline imposed on the Board to respond to your Findings and Recommendations does not afford the Board an adequate amount of time to assess your conclusions and propose a workable solution, if necessary. The Board is currently in the process of administering the Municipal Elections, and once the elections are completed, it will complete its final responses to the Findings and Recommendations.

1. CBOEC should undergo independent, external audits at least every other year. We note that the executive director stated he discussed this issue with the Chief Judge, and that, moving forward, CBOEC plans to budget for an external audit in every odd year.

Response: As a preliminary response, this recommendation is dependent on the direction of the Chief Judge of the Circuit Court of Cook County and the source of funds for the audits. In the past, audits were conducted in even years by independent auditors. The Board hopes to receive the direction and funding to continue this practice going forward.
At this time, the Board renews its objection to the OIG improperly referencing [redacted] The OIG has repeatedly used [redacted] in its audit as a point of reference when it is aware that it should not be doing so without [redacted]'s written permission. In representing itself as an Independent Auditor, the OIG fails to comply with the Yellow Book in this regard. The Board will assume that the OIG will adhere to its professional responsibilities regarding the confidentiality of information supplied to it.

2. CBOEC should develop financial policies that provide for proper administration of City and County funds.

Response: As a preliminary response, the Board will continue working with City and County budgeting departments and attorneys to insure agreement among the various agencies that funds are appropriated in accordance with the Election Code and other laws.

3. CBOEC should work with the City and County to gain access to and utilize those entities' electronic financial systems, and should adhere to all associated policies governing those systems.

Response: As a preliminary response, the Board will continue working with City and County departments to insure the Board may utilize those entities' electronic financial systems and policies to the extent authorized by law.

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4. CBOEC should refund $28,247 to the State of Illinois for grant-funded goods that were sent back to a vendor.

Response: As a preliminary response, the Board disagrees with the OIG finding. It is the Board's position that the OIG Audit Team failed to understand that this discrepancy was the result of a bookkeeping function and the amount was credited back to the Board and resubmitted to the vendor with an additional amount for an upgrade.

5. CBOEC should eliminate its non-payroll checking accounts, and request payment in the same manner as City and County departments. Alternatively, CBOEC should implement its own centralized financial system and perform account reconciliations.

Response: As a preliminary response, eliminating all non-payroll checking accounts could cause serious administrative an operational complications for the Board, which would have to rely solely on the City and County financial offices for all expenditures. Those agencies are not as responsive as the Board's own finance department during times of crucial importance for the Board. For example, it may have been impossible for the Board to fulfill its statutory duties as an election authority under the following prior circumstances if it had to wait days or weeks for the City and/or County to issue checks for these unforeseen but necessary expenses:

In November of 2014, the state treasurer's election had such a narrow margin that it almost caused a statewide recount, and the added burdens on the post-election canvass caused the Board's staff to incur unexpected overtime for three additional weeks at substantial expense to the Board.

In 2015, the mayoral election in February produced no winner, which then forced a run-off election for the office of mayor that the City removed from the Board's Budget. The City caused a six-month delay in providing funding to the Board for many of the necessary expenses related to the citywide run-off.

In 2016, the Board entered into a consent decree with the U.S. Department of Justice regarding polling place accessibility. Almost all the public buildings that house the Board's polling places are owned by the City, thus causing significant funding issues for the Board to be able to act in compliance with the DOJ's mandates.

In 2017, a year in which the Board was not scheduled to conduct any elections, a special aldermanic election was required with significant unbudgeted additional expenses.
In 2018, mere days before the primary election, the circuit court ordered the Board to post printed ballot notices in each of the 2,069 precincts with un-budgeted additional printing expenses of about $200,000 plus additional labor expenses to distribute those notices to each polling place.

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6. CBOEC and the County should discontinue the practice of allowing commissioners to accrue vacation time, should eliminate the commissioners' existing balances, and should request a refund from the retired commissioner paid $11,969 in 2016.

Response: As a preliminary response, the Board requires a reasonable period of time in which to investigate whether legal liabilities for the Board could arise by demanding repayment from an individual who had apparent authority to accept vacation compensation at the time it was offered to him.

7. CBOEC should require the executive director to report vacation taken and adjust his vacation time balances accordingly.

Response: As a preliminary response, the Board agrees that this was a bookkeeping oversight. Pursuant to his contract, the Executive Director was awarded 40 days of vacation per year. The OIG Audit, instead of simply reporting the number of days accrued, made a rather uninformed comment as to the whether the ED ever takes vacations. Moving forward, the Board intends to account for the ED's vacation time, if he takes any.

8. CBOEC, in cooperation with the City and County, should develop a formal cost allocation framework to determine which entity is responsible for particular types of expenses, and document the framework in an intergovernmental agreement.

Response: As a preliminary response, and as indicated in the OIG's report, the Board receives its funding from both the City and the County. (OIG Draft Audit at p. 8) Perhaps the biggest obstacle to this Recommendation of the OIG is best explained in the OIG's own words: "Accurate allocation of costs will require careful interpretation of the Code and the creation of a formal allocation framework." The OIG Audit Team used a memorandum created by Board's former General Counsel to create a framework in analyzing the Board's finances, but it failed to understand the years of historical reality that the Board has faced in receiving the necessary funding in order to administer elections. The OIG Audit Team fails to recognize that the Board cannot exert any control over the City or the County in how the individual government entities choose to interpret 10 ILCS 5/6-70, 17-30, and 17-32(2), but has relied on its Executive Director to secure funding in a manner that is acceptable to all the parties. The OIG Audit Team appears to discount the prior attempts made by the Board to reach agreements on funding sources with the City and County and the lack of disagreement over the years from either of those entities.

The chart in Appendix B may be informative, but the OIG is not a suitably independent entity to interpret these funding statutes. The OIG is an office of the City of Chicago and therefore lacks the public appearance of independence necessary to provide opinions that a separate unit of government (the County) should be funding Board expenses currently borne by the City.

Furthermore, there are ways in which unforeseen circumstances can cause necessary expenditures that may not fall squarely within any particular framework. For example, in

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November of 2014, the state treasurer's election had such a narrow margin that it almost caused a statewide recount, and the added burdens on the post-election canvass caused the Board's staff to incur unexpected overtime for three additional weeks at substantial expense to the Board.

In 2015, the mayoral election in February produced no winner, which then forced a run-off election for the office of mayor that the City removed from the Board's Budget. The City caused a six-month delay in providing funding to the Board for many of the necessary expenses related to the citywide run-off.

In 2016, the Board entered into a consent decree with the U.S. Department of Justice regarding polling place accessibility. Almost all the public buildings that house the Board's polling places are owned by the City, thus causing significant funding issues for the Board to be able to act in compliance with the DOJ's mandates.

In 2017, a year in which the Board was not scheduled to conduct any elections, a special aldermanic election was required with significant unbudgeted additional expenses.
In 2018, mere days before the primary election, the circuit court ordered the Board to post printed ballot notices in each of the 2,069 precincts with un-budgeted additional printing expenses of about $200,000 plus additional labor expenses to distribute those notices to each polling place.

9. CBOEC should either record revenue in its own centralized financial system, or ensure consistent use and accuracy of transaction logs. In addition, CBOEC should reconcile cash register funds and receipts with the documentation of purchases, and deposit revenue on a weekly basis.

Response: The Board further responds that this Recommendation has already been performed in substantial part during the audit.

10. CBOEC should develop accurate annual budgets and pay all expenses from the corresponding year's funds.

Response: As a preliminary response, the Board requires reasonable time to assess the long-term feasibility issues of this Recommendation, as so much of the Board's activities happen at the ends and beginnings of fiscal years and the Board does not have unilateral control over the annual approval of its City and County budgets.

For example, in November of 2014, the state treasurer's election had such a narrow margin that it almost caused a statewide recount, and the added burdens on the post-election canvass caused the Board's staff to incur unexpected overtime for three additional weeks at substantial expense to the Board.

In 2015, the mayoral election in February produced no winner, which then forced a run-off election for the office of mayor that the City removed from the Board's Budget. The City

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caused a six-month delay in providing funding to the Board for many of the necessary expenses related to the citywide run-off.

In 2016, the Board entered into a consent decree with the U.S. Department of Justice regarding polling place accessibility. Almost all the public buildings that house the Board's polling places are owned by the City, thus causing significant funding issues for the Board to be able to act in compliance with the DOJ's mandates.

In 2017, a year in which the Board was not scheduled to conduct any elections, a special aldermanic election was required with significant unbudgeted additional expenses. In 2018, mere days before the primary election, the circuit court ordered the Board to post printed ballot notices in each of the 2,069 precincts with un-budgeted additional printing expenses of about $200,000 plus additional labor expenses to distribute those notices to each polling place.

11. CBOEC should use City and County payroll systems for hourly employees. Alternatively, CBOEC should immediately segregate duties for creating employees, tracking hours, and submitting payroll in its hourly employee payroll system, and conduct regular reconciliations of its payroll account.

Response: As a preliminary response, the City mandated that the Board maintain a separate payroll for its hourly employees in 2005. The Board agrees with the Recommendation about segregating certain aspects of creating and managing employee accounts but requires reasonable time to investigate the feasibility of carrying forth the recommended changes.

12. CBOEC should rectify its miscalculation of hourly payroll amounts by refunding $28,733 to the City, paying employees the $3,347 owed, and requesting reimbursement of $22,835 from the County.

Response: The Board completely agrees with the need for audits, transparency and certain recommendations for corrective measures, your deadline imposed on the Board to respond to your Findings and Recommendations does not afford the Board an adequate amount of time to assess your conclusions and propose a workable solution, if necessary. The Board is currently in the process of administering the Municipal Elections, and once the elections are completed, will complete its Final responses to the Findings and Recommendations.

13. CBOEC should solicit, negotiate and document all contracts through its purchasing department, and ensure that its purchasing manager has access to all procurement records and an inventory of its contracts.

Response: As a preliminary response, the Board agrees with the OIG that an organized, professional, skilled purchasing staff is necessary for the Board to effectuate its procurement procedures and ensure a secure and central repository for all of its contracts. An attempt was made to hire an external candidate in 2014, but it ultimately became clear that she did not

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possess the skill set to achieve the results needed. This individual was also put in charge of a Task Force in an attempt to promote the smooth flow of documents and payments of contracts through the Finance Department, but she resigned her role as head of the Task Force before correcting the errors made by the former Fiscal Administrator.

The Board is currently advertising for a new Purchasing Agent with the goal of finding a qualified and organized candidate who will correct the deficiencies present in the Purchasing Department. The Board requires reasonable time to employ a new purchasing agent, who then may address the feasibility of implementing the above recommendations.

14. CBOEC should reduce its reliance on sole source procurements and modify its purchasing rules to bring them in line with City and County practices.

Response: The Board requires a reasonable time to research City and County practices in order to provide a response as to the feasibility of following those guidelines with all of its purchasing. The Audit Team has failed to recognize the unique nature of election work, including the need to print ballots that meet state standards, for which there is a sole certified source within the state. For some matters like ballot printing, there are no other practical options.

15. CBOEC should immediately ensure that it is in compliance with the ACA by conducting a full analysis of employees eligible for health benefits, using one of the methods described in the law. Based on this analysis, CBOEC should begin to compensate covered employees appropriately and should provide all required reports to its employees and the IRS.

Response: As previously noted, while the Board completely agrees with the need for audits, transparency and certain recommendations for corrective measures, your deadline imposed on the Board to respond to your Findings and Recommendations does not afford the Board an adequate amount of time to assess your conclusions and propose a workable solution, if necessary. The Board is currently in the process of administering the Municipal Elections, and once the elections are completed, will complete its Final responses to the Findings and Recommendations.

16. CBOEC should conduct a staffing analysis that considers varying workloads throughout the four-year election cycle. CBOEC should also come to agreement with the City on whether it is acceptable to utilize the Extra Hire appropriation for the purposes of hiring and compensating long-term hourly employees, and adjust its budget requests as appropriate.

Response: As previously noted, while the Board completely agrees with the need for audits, transparency and certain recommendations for corrective measures, your deadline imposed on the Board to respond to your Findings and Recommendations does not afford the Board an adequate amount of time to assess your conclusions and propose a workable solution, if

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necessary. The Board is currently in the process of administering the Municipal Elections, and once the elections are completed, will complete its Final responses to the Findings and Recommendations.

As a preliminary response, there have been in the past – and undoubtedly will be in the future – unforeseen circumstances that cause sudden and substantial changes in workload for the Board and, therefore, in staffing needs. For example, in November of 2014, the state treasurer's election had such a narrow margin that it almost caused a statewide recount, and the added burdens on the post-election canvass caused the Board's staff to incur unexpected overtime for three additional weeks.

In 2015, the mayoral election in February produced no winner, which then forced a run-off election for the office of mayor that the City removed from the Board's Budget. The City caused a six-month delay in providing funding to the Board for many of the necessary expenses related to the citywide run-off.

In 2016, the Board entered into a consent decree with the U.S. Department of Justice regarding polling place accessibility. Almost all the public buildings that house the Board's polling places are owned by the City, thus causing significant funding issues for the Board to be able to act in compliance with the DOJ's mandates.

In 2017, a year in which the Board was not scheduled to conduct any elections, a special aldermanic election was required with significant unbudgeted additional expenses.
In 2018, mere days before the primary election, the circuit court ordered the Board to post printed ballot notices in each of the 2,069 precincts with un-budgeted additional printing expenses of about $200,000 plus additional labor expenses to distribute those notices to each polling place.

17. CBOEC executive management should empower its HR department to develop standardized, transparent policies by establishing a tone at the top that supports strategic workforce planning. Specifically,
    a. CBOEC should develop a documented and transparent hiring policy that includes clearly defined hiring roles. In doing so, CBOEC should utilize the expertise of City and County partners to develop a robust plan that meets CBOEC's unique needs. For example, CBOEC may seek assistance in researching pay rates.
    b. CBOEC should implement a transparent and standardized performance management program, and document clear criteria for salary increases. CBOEC should utilize the expertise of City and County partners to assist with development of this program.
    c. CBOEC should develop clear and detailed policies and procedures to ensure accuracy and uniformity in its operations, and develop clear job descriptions to avoid losing institutional memory during staff turnover. Here, too, CBOEC should utilize the expertise of City and County partners to assist with development of these processes.

Response: As a preliminary response, in 2017 the Board hired a new HR manager who has been working to insure all polices are complied with, revisions are underway to the

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Employee Handbook, a system for routine employee performance evaluations is in being developed, and numerous other practices are being streamlined and improved.

18. CBOEC should create a detailed contingency plan to maintain continuity of operations in the event of attack or disaster. The process of creating this plan should include robust assessments of operational risks and impacts. Once the plan has been established, CBOEC should ensure that it is readily available to staff and provide training on its implementation.

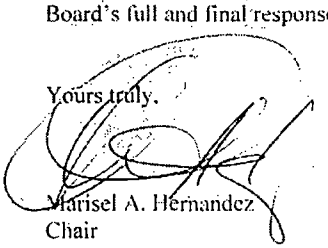
Response: As a preliminary response, while the Board already has contingency plans in place for various emergency scenarios, including matters consulted with and agreed upon with the FBI and Department of Homeland Security, it agrees with the wisdom of memorializing those plans in a confidential written format. The Board also recently retained the services an election information security officer that is shares with the County.

19. CBOEC should complete and regularly maintain inventories of its IT hardware and software.

Response: As a preliminary response, the Board agrees that maintaining regular inventories is a best practice. The new IT Manager hired in 2016 has established a procedure for inventorying IT hardware and software. Additionally, in April 2019, after 2 years of trying to locate funding, will be implementing a virtualization server that will save space and increase financial efficiency. After that it is in place, IT will work towards implementing a new disaster-recovery system.

Thank you for your consideration of the Board's preliminary responses, and I look forward to being back in touch with you no later than the end of May to provide your office with the Board's full and final responses to the OIG recommendations.

Yours truly,



Marisel A. Hernandez
Chair

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- administrative and criminal investigations by its Investigations Section;
- performance audits of City programs and operations by its Audit and Program Review Section;
- inspections, evaluations and reviews of City police and police accountability programs, operations, and policies by its Public Safety Section; and
- compliance audit and monitoring of City hiring and employment activities by its Hiring Oversight Unit.

From these activities, OIG issues reports of findings and disciplinary and other recommendations,

- to assure that City officials, employees, and vendors are held accountable for violations of laws and policies;
- to improve the efficiency and cost-effectiveness of government operations; and
- to prevent, detect, identify, expose, and eliminate waste, inefficiency, misconduct, fraud, corruption, and abuse of public authority and resources.

AUTHORITY

OIG produces this audit report under the authority provided in the designation letter from the Chief Judge of the Circuit Court of Cook County. OIG's general authority to produce reports of its findings and recommendations is established in the City of Chicago Municipal Code §§ 2-56-030(d), -035(c), -110, -230, and 240.

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