STATE OF NEW MEXICO
DIANNA J. DURAN
SECRETARY OF STATE

August 4, 2014

Mr. David Abbey, Director
Legislative Finance Committee
325 Don Gaspar, Suite 101
Santa Fe, NM 87501

Dear Mr. Abbey:

This correspondence serves as the Secretary of State's Office (SOS) response to the Legislative Finance Committee's (LFC) evaluation report "Secretary of State – Status of Information Technology Projects" provided on July 30, 2014.

In January 2011, at the beginning of my term as New Mexico Secretary of State, there were immediate issues with information technology (IT) in the office including problems with frequent system downtime, failure to follow change management processes on the website, and concerns expressed by the county clerks about election system instability and poor performance. By July 2011, I was able to hire a new IT Director, Kari Fresquez, and immediately charged her with completing an assessment of the state of IT within the office. Her assessment validated the findings recorded in an evaluation report published by the LFC in 2009 that include:

- SOS does not have the technical capability or capacity to manage IT projects;
- IT staff supports infrastructure or legacy applications;
- SOS has outdated hardware, software, and systems; and
- SOS does not have a disaster recovery plan for all its mission critical systems.

It is important to note, that in 2011 Director Fresquez also documented additional critical IT vulnerabilities including:

- All server and network equipment in the SOS datacenter and disaster recovery site were outdated, had no maintenance coverage, had some failing components and/or were unstable to be used in a production

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environment. Replacement parts were no longer available and support was no longer offered by the manufacturers.

- The Business Services Division applications (SOSKB) were running on a variety of unsupported and disparate components including COBOL, DOS, Basic, Novell 4.11, Pervasive SQL, Visual Basic, SQL Server 2003, and Access. The system was largely not documented and certain components were not understood by the SOSKB support vendor or the SOS IT staff and downtime was frequent. The install files and source code were not available. It was clear that a hardware failure would be catastrophic with a best case scenario of a several week downtime and a more likely, worst case scenario being irrecoverable data and system loss.
- There was no documented, tested disaster recovery plan for any mission critical systems and offsite backups were not being completed.
- IT documentation was out of date and many passwords to access equipment were lost.
- The office did not have an anti-virus solution or a security patch management solution in place on the servers and desktop computers.
- Operating budget to support IT costs such as maintenance and hardware replacement was not built into the agency's base budget to support the mission critical systems.
- The Campaign Finance Reporting System (CFIS) was missing several key components to make it a complete solution for tracking and reporting on campaign finance as outlined in the Campaign Reporting Act (Chapter 1, Article 19). Thus SOS staff had to maintain CFIS as well as perform double or triple entry into a DOS based application and various spreadsheets. In addition, candidates and lobbyists did not have a reliable online filing system as mandated by the Act (1-19-27) and transparency in campaign finance reporting was being compromised causing public trust and confidence in the SOS to be low.
- The Voter Registration & Election Management System (VREMS) was the only system at SOS with the equipment in place to potentially support a disaster recovery effort with a primary site located at the DoIT Simms Datacenter and a secondary site located at Oso Grande in Albuquerque. However, the equipment was outdated and had already registered several component failures. The manufacturer did not honor any extended maintenance agreements and the only option was to replace the equipment. In addition, there were no documented, tested procedures in place that ensured a cut over to the secondary site would occur with little or no downtime to the public or the counties.

The mismanagement and underfunding of IT that had occurred in the office for so many years had put the office in a state of crisis with an extreme "unlikelihood of recovering from a system failure" according to Director Fresquez all while the June 2012 Presidential Primary Election was fast approaching.

In an effort to quickly reduce the risk of system failure and stabilize the IT infrastructure at the SOS, I alerted members of the legislature and the LFC staff of the crisis. The support from these entities was immediate and decisive. Beginning with the September 2011 special legislative session, the office was awarded a series of special appropriation and capital outlay funds to remediate many of the issues identified.

With the support of the legislature and the additional special funding, accomplishments include:

- Replacement of all aged and failing server, storage, and network equipment including purchase of maintenance and support contracts on all critical systems.
- Implementation of offsite data replication and backups.
- Implementation of security patch management and anti-virus protection on all servers and desktops.
- Conduct of successful tests of the disaster recovery failover to the secondary site for VREMS.
- Resolution of all VREMS slow performance and downtime issues previously experienced by election officials in the 2010 statewide elections.
- Implementation of the electronic authentication process in the Campaign Finance Information System (CFIS) to eliminate requirement for candidates, PACs, and lobbyists to send notarized paper copies to our office. This resulted in eliminating the need for the SOS ethics administrators to receive, process, and file approximately 8,500 report filings in a statewide election year.
- Completion of development on several required CFIS software modules that were not included in the original CFIS implementation including the Lobbyist reporting module and the Candidate and PAC Biannual reporting module to comply with statutory reporting requirements.
- Completion of an IT inventory audit and implementation of an IT fixed asset tracking database.
- Bringing the SOS into compliance with all desktop software licenses.
- Implementation of a document imaging system for capturing and indexing all financial disclosure documents.
- Upgrading the SOS active directory domain increasing and standardizing system access control for SOS users.

- Implementation of centralized group file shares and secure employee shares to centralize management and archival of important data and minimize record loss.
- Implementation of automated system alerts and monitoring devices to monitor and alert IT staff of problems such as heat, water, equipment failures, or system performance problems.
- Implementation of a knowledgebase of IT documentation.
- Implementation of a help desk system and change management process to capture and plan for system changes, change authorization, and rollback plans.
- Addressing severe security vulnerabilities. Unsecure public facing servers and applications have been decommissioned and replaced and new software is required to undergo a third party security assessment as part of standard SOS IT contract terms.
- Adoption of a standard project management methodology for all IT projects. Standards comply with DoIT project oversight guidelines.
- Development and implementation of the new Integrated Reporting and Integrity System (IRIS) for the 2014 Primary Election to allow for statewide candidate filing, standardized ballot creation, results reporting, and result canvass. This contributed to the SOS receiving a report with zero audit findings from the independent state canvassing auditors for the first time in recorded history.
- Production rollout of phase one of the SOS Business Filing System, which is well underway, to include processing of Uniform Commercial Code (UCC) filings, notary public registrations, authentications, service of process transactions, trademark filings, and agricultural liens. Phase two, which includes corporations, limited liability companies, and limited partnerships will be completed in June 2015.
- Successful phase one implementation of new voting tabulator machines and American with Disabilities Act (ADA) compliant ballot marking devices within five counties, Bernalillo, Doña Ana, Sandoval, Valencia, and San Juan, in time for the 2014 Primary Election was completed. Phase two funding has been allocated and full tabulator replacement will be complete in all 33 NM counties by the 2014 General Election in over 1,500 polling locations across the state.

After the conclusion of the 2012 General Election, I had hoped for a quiet and productive 2013 with time to finish the important cleanup that had already started before beginning preparations for the 2014 elections. This was not to be the case. Instead, SOS had to gear up in response to the passing of a constitutional amendment in the 2012 General Election and legislators passing enabling legislation in 2013 that would transition the Public

Regulation Commission (PRC) Corporations Bureau staff, functions, and statutory authority to the SOS by July 1, 2013. The SOS immediately conducted an assessment of the PRC Corporations Bureau to document staffing levels, business processes and determine the status of a partially developed Corporations Information System (CIS). This effort was essential to begin planning for a smooth transition. Assessment findings included:

- Corporations' staff is knowledgeable about business processes.
- Phone coverage of 25 incoming lines was insufficient and largely handled by two temporary staff members.
- Daily mail processing including sorting, separating, opening, logging and prepping was thorough but time consuming.
- The home grown CIS system was inefficient and required many intensive manual processes often making Corporations staff jobs harder instead of easier.
- Adoption by the public of the online web based (self-serve) system was poor and online functionality was limited to a few functions including searching good standing status and processing corporate annual reports.
- Scanning and archiving of documents was either done in non-indexed (difficult to search and retrieve) batches or not done at all making processing public record requests time consuming.
- Transaction processing was out of compliance with statute with a typical transaction taking over 110 days to be processed.
- A high volume of expedited transactions were being submitted by customers. Corporations' staff spent the day processing expedited transaction requests which further delayed the processing of regular transactions within the statutorily required three day turnaround. With this dynamic in place, it appeared they would be in a perpetual backlog.

Despite these daunting challenges, the 18 Corporations' staff members moved into the North Annex Building and began processing documents at the SOS on July 1, 2013. The SOS leadership and IT staff once again set out on a major improvement project to improve efficiency and to instill a business friendly focus on the new Corporations Bureau. By November 8, 2013, the office had streamlined business processes and made significant improvements to the CIS system in order to bring the average document processing time from 110 days to a statutorily compliant three day turnaround. Improvements in the Corporations Bureau and CIS system include:

- Implementation of improvements to the online portal, leading to a 322% increase in use of the self-service Corporations Portal for filing annual reports during FY14 compared to filings done in FY13 when the Corporations Bureau was at PRC.
- Implementation of a streamlined mail processing and logging process.
- Establishment of automated call distribution technology with customer call wait queue and a dedicated rotation of staff to answer phone calls.
- Implementation of streamlined document imaging and indexing process to manage and archive all paper documents for quicker turnaround on public record requests.
- Implementation of significant improvements to the CIS and online public portal making document processing quicker and more efficient leading to 50% more transactions being processed by SOS in FY14 compared to total transactions completed in FY13 by PRC.

So where does that leave us today? The LFC evaluation report acknowledges many of the recent improvements and accomplishments within the office but also points out that we still have work to do. I agree. I am proud of the hard work my staff has put into getting us this far but we will continue to work to make the office even better. I am committed to ensuring that elections have appropriate accountability, auditability, and oversight and that the business services division provides for a business friendly and accessible atmosphere.

I understand and support that IT provides the technical foundation for all of the constitutional and statutory obligations overseen by our office and is a leading factor in whether we succeed or fail in meeting our obligations. With the financial support provided by the legislature, our IT team has turned a completely dysfunctional IT environment around and has supported some historical successes including the quick turnaround in Corporations and the very successful results reporting and canvassing of the 2014 Primary Election, which for the first time ever, contained zero audit findings in the independent statewide canvassing audit report.

Our current initiatives in IT to further these efforts include:

- Completion of phase two of the SOS business filing system software rollout by June 30, 2015. The completed project will replace all business service systems utilized by the SOS and its business and banking customers with a single software solution. The software will allow traditional paper processing, however, it will also have a significant self-service web component to allow customers to file required

documents or perform on demand searches for information. This system will also become part of the State's "One Stop Business Portal" (Laws 2014, Ch. 20) that passed during the 2014 legislative session.

- Completion of the voting tabulator machine and ADA compliant ballot marking devices replacement project to include replacing all equipment in over 1,500 polling locations statewide in time for the 2014 General Election.
- Continue IRIS project implementation with the goal of implementing a modern election management system that will integrate all processes and systems utilized by the SOS and county clerks for managing voter registration and conducting elections. The SOS experienced 100% adoption by county clerks for the first two phases of IRIS, candidate filing and results reporting and canvassing, in the 2014 Primary Election. Completion of IRIS Phase 3, replacement of VREMS, is expected to result in an estimated savings of $3.4 million over five years while also improving user efficiency and election component integration, accountability and audit trails, and user satisfaction. A FY16 business case has been submitted by the SOS to request $1.4 million to implement IRIS Phase 3.

Many of the recommendations included in the LFC evaluation report are in line with current SOS initiatives. Below is a table that outlines specific LFC recommendations and the SOS response:

LFC Recommendation	SOS Response
Develop consistent project management practices for all projects	The SOS has a consistent project management methodology in place for all IT projects which are in line with guidelines established by the DoIT project oversight and compliance division. Independent verification and validation reports provide evidence in support of this claim. All of the recommendations raised in the LFC evaluation report are being addressed as part of the phase two tabulator replacement project. In addition, the SOS recognizes the criticality of the project and has hired a dedicated project manager to assist the Bureau of Elections Director in overseeing the remainder of the project implementation and closeout.
Establish a standard process and acceptance criteria for all contract deliverables to ensure contractual requirements are met	The SOS agrees with this recommendation and is already in the process of hiring a Contracts and Assets Manager to oversee these efforts. As of today, the hire is pending DFA approval with an anticipated start date of mid-August 2014.
Continue to maintain its asset management and update, at a minimum annually, to prevent having outdated hardware and software, which	The SOS agrees with this recommendation and already has a process in place to keep the asset management system updated. When new

increases the risk of deterioration and reduced effectiveness	equipment arrives, IT staff updates the fixed asset database accordingly. In addition, the new Contracts and Assets Manager will assist with department wide fixed asset management including depreciation calculation and annual financial audit compliance.
Develop a replacement cycle built in to its operating budget	The SOS agrees with this recommendation and will continue to include adequate IT costs in its annual budget request.
Review, update and distribute the disaster recovery and business continuity plan at least annually to reflect the current business and IT environment accurately and when there are key personnel changes	The SOS agrees with this recommendation and will continue to improve on disaster recovery and business continuity planning. The office was previously limited in what could be covered in a disaster recovery plan because many of the legacy systems in place were not recoverable in the event of a disaster.
Develop and document procedures to include detailed recovery and response procedures for the network and all applications, recovery time objective, notification procedures, and the workflow process	The SOS agrees with this recommendation and will continue to improve on the recovery and response documentation that has already been completed. This will continue to be a working document as the SOS continues its' system improvement initiatives.
Develop a formal disaster recovery testing plan and conduct training and periodic testing at least annually	The SOS agrees with this recommendation and will continue to improve on disaster recovery testing. The SOS conducts contingency planning and testing prior to each statewide election but will also work to include a test plan for the new business filing system as well.
Update disaster recovery procedures based on test results	The SOS agrees with this recommendation and will incorporate this into its testing process.
Continue to engage in annual security assessments by a third party and address security vulnerabilities identified as quickly as possible	The SOS agrees with this recommendation and will include this contract cost as part of its annual budget request.

The review conducted by the LFC staff was a learning opportunity in which my staff and I gained valuable insight on the views and priorities of the LFC. I recognize the hard work they put into researching and preparing this evaluation report. I look forward to keeping you apprised as we continue to make progress on our current project initiatives and I appreciate the opportunity you provided to review and respond to this report.

Sincerely,

Dianna J. Duran
Secretary of State