



**U.S. ELECTION ASSISTANCE
COMMISSION
OFFICE OF INSPECTOR GENERAL**

FINAL REPORT:

**ADMINISTRATION OF PAYMENTS
RECEIVED UNDER THE HELP
AMERICA VOTE ACT BY IOWA'S
SECRETARY OF STATE**

APRIL 10, 2003 THROUGH APRIL 30, 2008

**Report No.
E-HP-IA-06-08
September 2009**



U.S. ELECTION ASSISTANCE COMMISSION
OFFICE OF INSPECTOR GENERAL
1225 New York Ave. NW - Suite 1100
Washington, DC 20005

September 30, 2009

Memorandum

To: Thomas Wilkey
Executive Director

From: Curtis W. Crider *Curtis W. Crider*
Inspector General

Subject: Final Audit Report - Administration of Payments Received Under the Help America Vote Act by Iowa's Secretary of State (Assignment Number E-HP-IA-06-08)

We contracted with the independent certified public accounting firm of Clifton Gunderson LLP (Clifton Gunderson) to audit the administration of payments received under the Help America Vote Act (HAVA) by Iowa's Secretary of State (SOS). The contract required that the audit be done in accordance with U.S. generally accepted government auditing standards. Clifton Gunderson is responsible for the attached auditor's report and the conclusions expressed therein.

In its audit of the SOS, Clifton Gunderson concluded that the SOS did not account for and expend HAVA funds in accordance with the HAVA requirements or comply with the financial management requirements established by the U.S. Election Assistance Commission. Exceptions were noted as follows:

- There were errors in computing interest on state matching funds.
- Interest on HAVA funds on deposit at the counties was not deposited for the credit of HAVA.
- Equipment inventories at the sampled counties did not include required information or include all HAVA equipment acquired.
- Capital improvements paid from HAVA funds were not approved by the EAC.
- There was a lack of competitive bidding for procurements and services.
- HAVA funds were used for promotional activities, unrelated to educating voters.
- HAVA funds were used for radio commercials that did not provide voter education.
- Supporting documentation was not provided to support personnel charges to HAVA.
- An equipment lease payment was made with HAVA funds for which no tangible benefit was received.
- There were errors in the financial reports filed with the EAC.

In its initial responses to CG's recommendations and its August 17, 2009 followup response to the draft report, Appendix A-2 and Appendix A-1, respectively, the SOS provided comments to the findings and corrective actions, as applicable, to address the recommendations.

Please provide us with your written response to the recommendations included in this report by December 1, 2009. Your response should contain information on actions taken or planned, including target dates and titles of EAC officials responsible for implementing the recommendation.

The legislation, as amended, creating the Office of Inspector General (5 U.S.C. § App.3) requires semiannual reporting to Congress on all audit reports issued, actions taken to implement audit recommendations, and recommendations that have not been implemented. Therefore, this report will be included in our next semiannual report to Congress.

If you have any questions regarding this report, please call me at (202) 566-3125.

PERFORMANCE AUDIT REPORT
ADMINISTRATION OF PAYMENTS RECEIVED
UNDER THE HELP
AMERICA VOTE ACT BY THE IOWA
SECRETARY OF STATE

April 10, 2003 Through April 30, 2008

UNITED STATES ELECTION
ASSISTANCE COMMISSION

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**U.S. Election Assistance Commission
Performance Audit of the Administration of Payments Received Under the
Help America Vote Act by the State of Iowa**

EXECUTIVE SUMMARY

Clifton Gunderson LLP was engaged by the U.S. Election Assistance Commission (EAC or the Commission) Office of Inspector General to conduct a performance audit of the Iowa Office of the Secretary of State (SOS) for the period April 10, 2003 through April 30, 2008 to determine whether the SOS used payments authorized by Sections 101 and 251 of the Help America Vote Act of 2002 (HAVA or the Act) in accordance with HAVA and applicable requirements; accurately and properly accounted for property purchased with HAVA payments and for program income, and met HAVA requirements for Section 251 funds for an election fund, and for a matching contribution. We did not include a determination of whether the SOS and its subgrantees met the requirements for maintenance of a base level of state outlays because the Commission is reviewing its guidance on the applicability of the maintenance of a base level of state outlays to the SOS's subgrantees.

In addition, the Commission requires states to comply with certain financial management requirements, specifically:

- Comply with the *Uniform Administrative Requirements For Grants And Cooperative Agreements With State And Local Governments* (also known as the "Common Rule") as published in the Code of Federal Regulations 41 CFR 105-71.
- Expend payments in accordance with cost principles for establishing the allowance or disallowance of certain items of cost for federal participation issued by the Office of Management and Budget (OMB) in Circular A-87.
- Submit detailed annual financial reports on the use of Title I and Title II payments.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on the audit objectives. Because of inherent limitations, a study and evaluation made for the limited purposes of our review would not necessarily disclose all weaknesses in administering HAVA payments.

Our audit concluded that the SOS did not account for and expend HAVA funds in accordance with the requirements mentioned above. We noted exceptions needing SOS management attention as follows:

- As of April 30, 2008, the State's liability for interest on its failure to timely deposit its matching share of HAVA Section 251 funding and to fully fund its matching share was estimated to be \$12,182. A determination should be made of the lost interest earnings from the failure to deposit the full amount of state matching funds and to deposit them timely, and the total amount should be transferred to the election fund.
- Interest earned by counties on HAVA funds transferred to them, and not utilized on a timely basis, were deposited into the counties' general funds rather than being used for the benefit of the HAVA program.

- Documentation of inventories of HAVA funded equipment at most of the counties visited did not comply with federal guidelines and did not include all of the equipment acquired with the HAVA funding. A physical inventory of HAVA funded equipment at the SOS office disclosed two items with the wrong serial numbers.
- The use of HAVA funds totaling \$369,740 for capital improvements to polling places, without preapproval by the EAC.
- The use of sole source procurements and costs of services acquired totaling \$1,222,501.
- HAVA funds totaling \$118,224 were used for promotional activities that were unrelated to voter education as prescribed by HAVA.
- HAVA funds totaling \$14,000 were used to purchase radio commercials that did not provide voter education information as prescribed by HAVA.
- Supporting documentation was not provided to substantiate personnel charges totaling \$885,573.
- A county entered into a lease agreement with a voting equipment vendor, which included the use of HAVA funds totaling \$21,000 for which no tangible benefit was received.
- There were errors in the amounts reported in the Financial Status Reports, Form SF-269, filed with the EAC.

We have included in this report the SOS's initial formal responses to the findings and recommendations, as Appendix A-2, and the followup response to the draft report dated August 17, 2009, as Appendix A-1. Although we have included the SOS written responses to our findings, such responses have not been subjected to an audit, and, accordingly, we do not provide any form of assurance on the appropriateness of the responses or the effectiveness of any corrective actions described therein.

In commenting on a draft of this report, the SOS disagreed with the majority of the findings identified in the report. We stand by the conclusions reached in our report.

BACKGROUND

HAVA created the EAC to assist states and insular areas with the improvement of the administration of Federal elections and to provide funds to states to help implement these improvements. HAVA authorizes payments to states under Titles I and II, as follows:

- Title I, Section 101 payments are for activities such as complying with Title III of HAVA for uniform and nondiscriminatory election technology and administration requirements, improving the administration of elections for Federal office, educating voters, training election officials and poll workers, and developing a state plan for requirements payments.
- Title I, Section 102 payments are available only for the replacement of punch card and lever action voting systems.
- Title II, Section 251 requirements payments are for complying with Title III requirements for voting system equipment; and for addressing provisional voting, voting information, statewide voter registration lists, and voters who register by mail.

Title II also requires that states must:

- Have appropriated funds “equal to 5 percent of the total amount to be spent for such activities [activities for which requirements payments are made].” [Section 253(b)(5)].
- “Maintain the expenditures of the State for activities funded by the [requirements] payment at a level that is not less than the level of such expenditures maintained by the State for the fiscal year ending prior to November 2000.” [Section 254 (a)(7)].
- Establish an election fund for amounts appropriated by the state “for carrying out the activities for which the requirements payment is made,” for the Federal requirements payments received, for “such other amounts as may be appropriated under law,” and for “interest earned on deposits of the fund.” [Section 254)(b)(1)].

AUDIT OBJECTIVES

The objectives of our audit were to determine whether the State of Iowa, Office of the Secretary of State:

1. Used payments authorized by Sections 101 and 251 of HAVA in accordance with HAVA and applicable requirements;
2. Accurately and properly accounted for property purchased with HAVA payments and for program income;
3. Met HAVA requirements for Section 251 funds for an election fund and for a matching contribution. We did not determine whether the SOS met the requirement for maintenance of a base level of state outlays, because the Commission is reviewing its guidance on the applicability of the maintenance of a base level of state outlays to subgrantees of the SOS.

In addition, to accounting for HAVA payments, the Act requires states to maintain records that are consistent with sound accounting principles that fully disclose the amount and disposition of the payments, that identify the project costs financed with the payments and other sources, and that will facilitate an effective audit. The Commission requires states receiving HAVA funds to comply with certain financial management requirements, specifically:

4. Comply with the *Uniform Administrative Requirements For Grants And Cooperative Agreements With State and Local Governments* (also known as the “Common Rule”) as published in the Code of Federal Regulations at 41 CFR 105-71.
5. Expend payments in accordance with cost principles for establishing the allowance or disallowance of certain items of cost for federal participation issued by the OMB in Circular A-87.
6. Submit detailed annual financial reports on the use of Title I and Title II payments.¹

¹ EAC requires states to submit annual reports on the expenditure of HAVA Sections 101 and 251 funds. For Sections 101, reports are due on February 28 for the activities of the previous calendar year. For Section 251, reports are due by March 30 for the activities of the previous fiscal year ending on September 30.

SCOPE AND METHODOLOGY

We audited the HAVA funds received and disbursed by the SOS from April 10, 2003 through April 30, 2008.

Funds received and disbursed from April 10, 2003 (program initiation date) to April 30, 2008 (61-month period) are shown below:

| TYPE OF PAYMENT | FUNDS RECEIVED | | | | FUNDS DISBURSED | DATA AS OF |
|-----------------|---------------------|--------------------|--------------------|---------------------|---------------------|------------|
| | EAC PAYMENT | STATE MATCH | INTEREST EARNED | TOTAL AVAILABLE | | |
| 101 | \$ 5,000,000 | \$ 0 | \$ 603,887 | \$ 5,603,887 | \$ 3,077,202 | 04/30/2008 |
| 251 | 23,739,383 | 1,249,000 * | 1,409,160 | 26,397,543 | 25,757,705 | 04/30/2008 |
| | <u>\$28,739,383</u> | <u>\$1,249,000</u> | <u>\$2,013,047</u> | <u>\$32,001,430</u> | <u>\$28,834,907</u> | 04/30/2008 |

* Iowa's State Match was first appropriated for \$1,186,969 (calculated as 5 percent of \$23,739,383). Later an additional amount was appropriated to bring the State Match to within \$441 of the HAVA requirement.

Our audit methodology is set forth in Appendix B.

AUDIT RESULTS

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on the audit objectives. Because of inherent limitations, a study and evaluation made for the limited purposes of our review would not necessarily disclose all weaknesses in administering HAVA payments.

We concluded that the SOS did not account for and expend HAVA funds in accordance with the requirements mentioned above. Exceptions identified include state's failure to timely deposit the remainder of state matching funds and the related interest earnings owed into the election fund; interest earnings due from counties from delays in the use of HAVA funds; non-compliant property inventories; the questionable use of sole source procurements; questioned costs for voter outreach; unsupported personnel charges; a payment for which no goods were received; and accounting and reporting errors. The SOS is working to resolve the exceptions described further below:

I. Interest on State Matching Funds

Iowa established an election fund to hold HAVA funds in accordance with the requirements of HAVA Section 254. The HAVA also requires that the election fund hold the five percent State matching funds to qualify for and prior to the receipt of the federal HAVA Section 251 funds. Furthermore, interest earned from the investment of the money in the election fund must also be deposited into the election fund. The timely deposit of monthly interest earnings increases the election fund balance upon which each subsequent month's interest earnings is based, resulting in a compounding effect that adds additional funds to the program.

As of June 17, 2004, the date Iowa received its HAVA Section 251 funds from the federal government, its matching requirement was \$1,249,441. Iowa partially met the matching requirement by depositing \$423,000 into the election fund early, on July 30, 2003. Then it paid \$765,000 to vendors during 2004 and 2005 out of its general fund that it considered as an additional portion of its matching requirement. Finally, on August 30, 2007, it deposited \$61,000, which was only \$441 short of the remaining matching requirement. It also deposited \$7,352 of interest on the late payment of \$61,000. This essentially met the state matching requirement, but because \$441 of the matching requirement was never paid and the \$765,000 in payments to vendors were made from 2 to 13 months late, net interest earnings of \$11,741 was not credited to the election fund. Furthermore, until the State transfers the remaining principal and interest into the election fund, the balance due the election fund increases daily due to the compounding of interest.

HAVA Section 254(b)(1) requires that the following monies be deposited into its election fund:

- A. Amounts appropriated or otherwise made available by the State for carrying out the activities for which the requirements payment is made to the State under this part (the State matching requirement of five percent of the federal HAVA Section 251 funds).
- B. The requirements payment made to the State (the federal HAVA Section 251 funds).
- C. Such other amounts as may be appropriated under law.
- D. Interest earned on deposits of the fund.

Officials of the SOS were unaware of the shortfall in principal and interest accruing to the election fund because the shortfall in principal was originally reported in 2007 to the Secretary of State as \$61,000, not \$61,441, and another portion of the State matching requirement (\$765,000) was not made available in its entirety until 13 months after it was due in the election fund.

Recommendation:

We recommend that Iowa transfer the \$12,182 of principal and interest owed to the election fund for the period from June 2004 through April 2008, plus any additional interest owed after April 30, 2008 through the date of the transfer.

SOS Response:

The Secretary of State stated that the issue had been resolved and provided documentation indicating that \$12,382 had been transferred to the election fund on September 5, 2008.

II. Cash Management on Grants to Counties

The SOS provided grant funds to counties for the acquisition of voting systems, sometimes in advance and, at least once, as a reimbursement of costs incurred. However, the interest reported on the annual Financial Status Reports to the EAC for HAVA Section 251 funds did not include the interest earned by county election officials.

We obtained information on when 10 counties received and spent HAVA funds for the acquisition of voting systems. We found that the SOS provided cash to five counties close to the

date that the funds were needed. However, for the other half of the counties, we found that funds were held for periods ranging from 35 days to one year prior to disbursement, resulting in lost interest to the HAVA program. There was also one county that had already disbursed \$64,000 for qualifying HAVA purposes prior to receiving its HAVA appropriation.

Where HAVA funds were received prior to their disbursement to vendors, they were invested by county treasurers. Interest earned by the county on the HAVA funds was deposited into a general supplemental fund rather than an election fund for the benefit of the HAVA program. Also, the interest earned was not reported to the Office of the Secretary of State nor was the interest earned included on the Financial Status Reports submitted by the SOS to the EAC.

The cash management requirements of the Common Rule at 41 CFR 105-71.120(b)(7) provide that a State should have procedures for “minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees.” In the case of HAVA funds, Iowa should be minimizing the time elapsing between the transfer of funds from Iowa’s Treasurer and disbursement by the counties to the voting systems vendors.

Advancing funds before they are needed reduces the interest that is earned by the state’s election fund. Furthermore, because county election officials did not report interest earned on HAVA funds, the HAVA program did not have the benefit of the county-earned interest and the SOS did not report the correct amount of interest earned on its annual Financial Status Reports.

Recommendations:

We recommend that the Iowa Secretary of State:

- Obtain data on interest earned by county officials and revise the HAVA Section 251 Financial Status Reports to include interest earned by county election officials on funds provided to them in advance of their immediate needs.
- Inform the County Auditors that the interest earned on HAVA grant funds must be used for HAVA activities or returned to the SOS.
- In the future, minimize the time elapsing between the transfer of funds from Iowa’s Treasurer and disbursement by the counties.

SOS Response:

The Secretary of State said that if counties held the funds for more than fourteen days, they would work with the counties to calculate the amount of interest earned and ensure the counties spent the funds for HAVA related purposes, or require the funds be dedicated for HAVA related purposes.

In the followup response (Appendix A-1), the SOS described the actions to be taken to address the recommendations.

III. Property Management

The inventory listings for HAVA-funded property were inconsistent among the counties and were inadequate in all but one county that we visited. Where county lists of optical scan and touch screen machines were prepared by the vendor, those lists contained only the serial numbers of

the optical scan and touch screen machines. Where county lists from accountable property systems were provided, the lists failed to identify the portion of federal participation in the cost of the equipment in all but one case. One county provided a list from its property accounting system, but it contained no acquisition dates, costs, or the portion of federal participation in the cost.

Moreover, counties applied their capitalization thresholds to determine whether HAVA equipment should be included in their accountable property systems. Since voting machines and voter registration system equipment did not reach the capitalization threshold individually for most counties, the HAVA property was not included in their property accounting systems. These assets should be considered as bulk purchases and should be capitalized and accounted for as such. Moreover, since voting machines and voter registration equipment are sensitive assets, they should be accounted for even though, individually, the equipment items did not exceed some counties' capitalization thresholds.

Although the SOS did not buy voting systems, it acquired HAVA-funded equipment to operate its Statewide voter registration system. It provided counties with some of that equipment to help them connect to the Statewide voter registration system and manage the voter registration database. Additionally, the SOS awarded grants of HAVA funds to each of Iowa's 99 counties to assist them in the acquisition of new voting equipment. In most cases, the grants covered a large portion of the cost of the new voting equipment. The voting equipment could include:

- precinct count optical scan machines
- DRE (direct recording electronic) machines
- central count optical scan machines for absentee and/or provisional ballots
- ballot marking devices
- ballot preparation software and hardware
- voting booths
- initial software license fees
- training costs related to new voting systems
- hardware and software upgrades to meet 2002 standards
- racks and carts necessary to store and transport voting equipment
- ballot transfer cases

The vendor provided the counties with lists of the serial numbers of the direct recording electronic (touch screen) voting machines and optical scan voting machines. Some counties recorded the purchases in their property records. Other counties did not include the purchases in their property accounting records because the equipment, individually, did not meet the minimum (dollar) thresholds for capitalizing property.

We tested 8 of 17 HAVA-funded items on the SOS's property inventory list. We found that six of the eight serial numbers were recorded correctly, but for two of the items, the serial numbers of the property did not agree with what was recorded on the property list.

We visited 10 of Iowa's 99 counties to review the counties' management of HAVA-funded property. We requested inventory lists of HAVA-funded property from officials of each of the 10 counties. Some county officials provided us the vendor-prepared lists of optical scan and touch screen machines without the voter registration equipment they had received from the SOS. Some provided us the vendor-prepared lists supplemented with the lists of voter registration

system equipment provided by the SOS. Others provided us lists from their counties' accountable property systems. One county official provided us with both the vendor lists and the accountable property lists for her county.

The *Uniform Administrative Requirements for Grants and Cooperative Agreements with State and Local Governments* (Common Rule) located at 41 CFR 105-71.132(b) establishes guidelines for managing property acquired with federal funds, including maintenance of appropriate property records. The Federal Management Regulation (FMR), the successor regulation to the Federal Property Management Regulations (FPMR), sets forth requirements for accounting for sensitive property that does not meet the capitalization thresholds, but is considered accountable equipment because it could be subject to theft, loss, misuse, or conversion to personal use.

Recommendations:

Election equipment used in voting systems and voter registration systems is sensitive property and therefore should be secured, protected, controlled and accounted for.

We recommend that the Secretary of State:

- Require staff of the SOS to conduct a physical inventory of all HAVA-funded equipment in the possession of the SOS and use the results to correct its property records.
- Ensure that the property management records of the counties have at least the minimum information required in the Common Rule.
- Seek guidance from the EAC on the definition of sensitive property to clarify whether voting equipment not meeting the capitalization threshold (accountable property) should be tracked and accounted for.

SOS Response:

The SOS disagreed with this finding on the premise that most of the property purchased through HAVA funds cost under \$5,000 and would not fall under the "Common Rule." In addition, they did not consider voting equipment and voter registration equipment as "sensitive property" for inventory purposes, but said they would work with the counties to ensure that inventories meet the "Common Rule" equipment requirements. The SOS' office has conducted a physical inventory and corrected its records for HAVA funded equipment.

Also, the SOS stated that they would seek additional guidance from the EAC on sensitive property and capitalization thresholds, and communicate the results to the counties.

In the followup response (Appendix A-1), the SOS included the procedures they would utilize to ensure that the counties' equipment inventories are accurate.

IV. Accessibility Grants to Counties

The SOS has not obtained approval from the EAC to use HAVA Section 251 funds for capital improvements such as making polling places accessible to voters with disabilities. The

accessibility grants were made to counties, and they contained a 25 percent county matching requirement and a maximum reimbursable amount of \$2,500 per project. Locations of the improvements included community centers, churches, and city halls. For example, at one church, a sidewalk to the rear of the church was constructed and a parking space was marked and posted for handicapped parking. At some city/town halls, automatic door openers were installed. Section 251 and Section 261 funds were used for the 75 percent portions of the grants.

The state used \$369,740 in HAVA Section 251 funds to make polling places accessible for voters with disabilities without requesting preapproval from the EAC to use of HAVA funds for capital improvements. Accordingly, we question the use of \$369,740 of HAVA Section 251 funds for accessibility grants expenses.

The EAC requires prior approval for the use of funds for capital improvements. In its guidance called Frequently Asked Questions (FAQs), the EAC issued the following:

Capital Improvements

A capital improvement is an improvement to any structure (building) or component erected as a permanent fixture on real property (land) that adds to its value and useful life. The cognizant agency for the funding program, EAC in this case, has the authority to pre-approve or waive the right to pre-approve the purchase of any capital equipment (generally equipment with a unit cost of \$5,000 or more) or capital improvements made with grant funds, ...EAC does not waive its right to preapprove capital improvements.

Recommendation:

We recommend that the SOS resolve with the EAC the questioned costs of \$369,740, because approval of the EAC to spend HAVA funds on capital improvements was not requested.

SOS Response:

The SOS took exception to the finding, stating that the State Plan Amendment, adopted May 23, 2005, clearly indicted the State's intent to expend HAVA funds "to reimburse counties for the costs of making improvements to increase accessibility". The amendment was submitted to the Commission. Neither the Commission nor its staff contacted the SOS with concerns about that plan.

The response further noted that pursuant to its "HAVA Making Changes: Polling Place Accessibility 2005" program, all site improvements were to be completed by January 1, 2006. The State in limited circumstances granted extensions as long as the improvements were complete before the June 2006 Primary Election. The Commission issued guidance related to capital improvements in its FAQs first published in June of 2006, after the program was completed.

The response also included additional information from OMB Circular No. A-87 and the Help America Vote Act to support its position, as well as other discussion, as set forth in Appendix A-2, and state that the SOS would work with the counties to provide additional documentation for consideration by the EAC, if requested.

The SOS also stated that, if the EAC determines that preapproval is required, the Secretary of State's Office will request retroactive approval for the projects under this program. Should the

Office choose to conduct any real property improvement in the future, the Office will seek prior approval.

In the followup response (Appendix A-1), the SOS included letters from the Governor's Developmental and Disability Council, and Iowa Protection and Advocacy Services to support the state's position.

V. Procurement

The Office of the SOS procured goods and services for the HAVA program through sole source contracts with several vendors. For example, graphic design and printing vendors contracted to provide goods and services for Iowa's HAVA program. Another vendor contracted to provide management and facilitation for the implementation of key elements of the HAVA State Plan for Iowa and its subsequent amendment. That vendor also managed and facilitated the planning and execution of the "Celebrate Voting" program.

The Auditor of State issued a finding in its 2006 Single Audit report about the sole source procurement of a contractor to implement key elements of Iowa's State Plan and the reimbursement of that contractor for costs associated with the "Celebrate Voting" program. It said:

In May 2003, the Office of Secretary of State (SOS) entered into a sole source contract with an independent contractor to provide services for the implementation of the State Plan for the Help America Vote Act (HAVA). The SOS subsequently entered into contract amendments, extensions and additional contracts with this contractor to obtain services to implement the key elements of Iowa's State Plan. For the year ended June 30, 2006, the SOS paid the contractor \$257,943 for services and expenses, under these contracts, including \$61,238 of unallowable costs noted in finding 06-III-EAC-635-1.

The SOS also entered into contracts with other contractors for the procurement of goods and services related to the implementation of HAVA, including election official training and voter awareness, which were not competitively bid. Under Chapter 8A of the Code of Iowa, the SOS, as an elective office, is not required to follow the State's procurement guidelines. However, Chapter 47.5 of the Code of Iowa requires bids for goods and services needed in connection with registration of voters or preparation of elections. The amount of payment under these contracts has not been determined.

The SOS maintained documentation as to the reasons it desired to use the sole source contractor, but did not maintain documentation the contractor was the only qualified contractor. Documentation was not available to determine whether procedures were performed to determine whether other possible contractors existed or were considered. In addition, there was no documentation available as to why competitive bidding was not performed as required by Chapter 47.5 of the Code of Iowa. As a result, there is no assurance the State received the best value possible for the services performed and, accordingly, the contract payments are questioned.

The Auditor of State recommended that the SOS should follow the State's bidding policies, as required by Chapter 47.5 of the Code of Iowa, to ensure it is getting the best value for the goods and services obtained and should also resolve the questioned costs with the EAC.

Although the SOS was not required to follow the administrative laws and regulations of the State of Iowa for all of its procurements, it used contract forms of the Iowa Department of Administrative Services (DAS) when it entered into contracts for services. These forms ensured that paragraphs describing the scope, term, and costs of the contract were included. The problem was that fees for services were negotiated with the contractors and not subjected to competition and comparison with other bidders so that the SOS could ensure it got the best value or even a reasonable price. For example, the professional fee with the vendor for facilitation and management of the HAVA program was identified as \$22,145 per month for the last 11 months of 2005 without identifying an hourly rate or an estimate of the hours to be worked or the number of employees assigned to the contract in order to earn the monthly fee. Many contracts for professional services identify key individuals that will work on the project or hourly rates for different classes of workers. Beginning in 2006, monthly fees were reduced to \$13,000 in January, \$10,000 in February, \$8,000 for the next 2 months, and then \$6,000 for May. Was work on the HAVA program winding down so that the SOS needed substantially less of the vendor's services? Even though the contract scope changed for each month, no key staff, hourly rates for different classes of workers, or estimates of hours to be worked was identified. As a result, we were not able to determine if each month's fee was reasonable.

Another contract for State election official and precinct official training was negotiated in a sole source manner so that one of Iowa's higher learning institutions could provide the training services. This contract was justified as an interagency agreement. However, the SOS agreed to pay administration fees to an intermediary (under another contract) who managed the program and the higher learning institution instead of actual costs. We noted that several payments were made to the higher learning institution before the effective date of its contract.

We concluded that if the SOS was exempt from the State's procurement requirements, the SOS should have its own procurement rules and regulations for its staff to follow. We asked officials of the SOS if they had any procurement rules or policies and they said no. We then asked an official of the Auditor of State how its office, another agency that was exempt from following the State's procurement rules and regulations, dealt with the exemption. The official said that the Auditor of State chose to follow the State's procurement requirements for non-exempt offices and to avail itself of the services of the DAS.

The *Uniform Administrative Requirements for Grants and Cooperative Agreements with State and Local Governments* (Common Rule) located at 41 CFR 105-71.136(a), and Office of Management and Budget Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, Attachments A and B, provide guidance to grantees when utilizing federal funds to ensure that costs incurred are both reasonable and allowable.

The following amounts were paid to contractors where sole source procurements were made by the SOS without justification and where the SOS did not have procurement standards and requirements for full and open competition, affirmative steps to assure that minority firms, women's business enterprises, and labor surplus area firms are used when possible, cost and pricing analysis, and a written code of conduct that prohibited real or apparent financial conflicts of interest. Accordingly, we question all costs associated with these contracts. The SOS agreed to pay professional fees that it did not determine the reasonableness of and administrative fees for which it did not have certified indirect cost rate or cost allocation agreements in place. The professional and administrative fees are a part of the total costs questioned below.

| | |
|---------------------------------|--------------------|
| State Public Policy Group(SPPG) | \$ 763,702 |
| Iowa State University | 276,241 |
| SEAT (Woodbury County Auditor) | <u>182,558</u> |
| Total | <u>\$1,222,501</u> |

Of the \$763,702 of SPPG costs questioned here, \$74,764 is included in the amounts questioned under Item V, "Celebrate Voting."

Recommendations:

We recommend that the Secretary of State:

- Resolve the questioned costs with the EAC.
- Adopt policies and procedures for procurement activities and for the SOS staff involved in procurement and contract administration, or allow the DAS to provide procurement and contract management services to the SOS.

SOS Response:

The SOS disagreed with the finding and recommendation, indicating that Iowa Code Section 47.5 on competitive bidding did not apply to the SOS, and stated that Iowa Code Section 8A regarding sole source procurements was followed, even though the SOS was exempt since he was an elected official. The SOS also provided legal letters justifying the use of sole source procurements. Full details on the reasoning for his disagreement are set forth in Appendix A-2.

In the followup response (Appendix A-1), the SOS included procurement policies and procedures that have been adopted, and stated that the State of Iowa anticipated resolving the procurement issue with the EAC.

VI. Celebrate Voting Project

In Iowa's Fiscal Year 2006 Single Audit Report, the Office of the State Auditor questioned \$61,238 of election (HAVA) funds spent for activities related to a program called "Celebrate Voting." We reviewed the finding and followed up on it to determine if all HAVA costs associated with the program had been identified in the 2006 audit report. We concluded that HAVA funds totaling \$118,224 were spent on activities unrelated to voter education - \$95,928 of Section 101 funds and \$22,296 of Section 251 funds.

Celebrate Voting was a celebration of the 40th anniversary of the Voting Rights Act, the 85th anniversary of the 19th Amendment to the Constitution, and the legacy of voting rights in Iowa. An official for the League of Women Voters of Iowa, a co-sponsor of the program, stated that Celebrate Voting was intended to provide young people with a historical perspective on the struggle of African-Americans and women to achieve the right to vote. HAVA funds were spent on an essay competition, as well as a traveling exhibit, that told the story of the long and difficult struggle. HAVA expenses included costs of speakers, entertainers, supplies, medallions for honorees, children's activities, travel and space rental.

The program was included in Amendment 1 to the State Plan submitted to the EAC on June 9, 2005 and described the goals of "Celebrate Voting" as follows:

Engage participation and representation of Iowa's diverse cultural groups a celebration centering on the 40th Anniversary of the Voting Rights Act, the 85th Anniversary of the 19th Amendment, and the 15th Anniversary of the ADA. The celebration will include [sic] events across Iowa, a curriculum on voting rights for use in schools, and extensive education on voting.

A working group of the HAVA State Plan Advisory Commission planned the program.

Celebrate Voting "kicked off" in downtown Des Moines on August 5, 2005 with lunchtime food and entertainment on the Nollen Plaza near the Des Moines River. A gala banquet followed that evening at the Iowa State Historical Museum. On Sunday, August 6, 2005, a hip hop activity and a poetic look into Iowa's voting history took place. The program continued during the next several months at the University of Iowa, the University of Northern Iowa, Drake University, and the Carrie Chapman Catt Center for Women and Politics at Iowa State University. Activities concluded in Waterloo and Iowa City in November 2005.

HAVA Section 101(b)(1)(C) provides that funds can be used for educating voters concerning voting procedures, voting rights, and voting technology. Further, Section 251 funds can also be used for educational purposes and other Section 101 qualifying expenditures if a state provides the required certification to the EAC, with which the state of Iowa complied.

We concluded that the portion of "Celebrate Voting" costs identified above did not meet the HAVA definition of educating voters on voting procedures, voting rights, and voting technology.

Recommendation:

We recommend that the SOS resolve the issue with the EAC of whether the costs associated with "Celebrate Voting," qualify for HAVA funding.

SOS Response:

The previous administration of the Iowa Secretary of State's office disagreed with the finding and contended that "Celebrate Voting" was intended for "educating voters concerning voting procedures, voting rights, and voting technology" through non-traditional means to reach persons "that often are ignored or missed through many traditional means of voting rights education." The project was supported by private funds as well as government monies, and involved several organizations. The state provided a list of expenditures totaling \$10,446 that they agreed would be unallowable. Full details on the SOS position are set forth in Appendix A-2.

In the followup response (Appendix A-1), the SOS stated that the State of Iowa anticipates resolving the issue with the EAC.

Auditors' Response:

Although an argument can be made that the "Celebrate Voting" activity provided interesting information regarding the history of voting in Iowa, and encouraged Iowa residents to exercise their voting rights, not all of the costs of the project related to instruction about the voting process, such as where and how to vote. We believe that all of the expenditures cited in the finding should be reviewed by the EAC for propriety.

VII. Marketing Costs

In its Fiscal Year 2007 single audit report, the Office of the State Auditor questioned \$14,000 paid to a communications company because the 30-second spot purchased by the Office of the Secretary of State (SOS) did not contain any voter education.

The single audit report contained the following:

Unallowable Expenditures – Section 101 of the Help America Vote Act (HAVA) of 2002 states funds may be used for educating voters concerning voting procedures, voting rights and voting technology. A frequently asked question (FAQ) on the website of the U.S. Election Assistance Commission (EAC) states costs and activities related to “get out the vote” or to encourage voting do not meet the requirement of education. During our testing of the Office of Secretary of State, an expenditure totaling \$14,000 for a radio campaign urging voters to get out and vote was identified as unallowable or not meeting the requirement for education.

Recommendation – The Office of Secretary of State should review the questioned cost and work with the U.S. Election Assistance Commission to resolve this matter.

HAVA Section 101(b)(1)(C) provides that HAVA funds may be used for educating voters concerning voting procedures, voting rights, and voting technology.

The U.S. Election Assistance Commission in its Frequently Asked Questions states that costs and activities related to “get out the vote” do not meet the requirement of education.

The issue of these questioned costs has never been resolved.

Recommendation:

We recommend that the SOS work with the EAC to resolve the \$14,000 in questioned costs.

SOS Response:

The SOS disagreed with the finding, based on the following:

- The advertisement ended with the important statement of “For more information on voting in Iowa visit iowa.votes.us, your rights, your responsibilities,” which included voting information.
- The advertisements were aired from 9/25/06 through 10/26/06, and, based on those broadcast dates, it is difficult to maintain such advertisements were meant to get out the vote, instead the advertisements’ purpose was to remind individuals how to obtain more information on voting. An advertisement meant to get out the vote likely would have aired through Election Day. These advertisements stopped eleven days before Election Day.

In the followup response (Appendix A-1), the SOS stated that the State of Iowa anticipates resolving the issue with the EAC.

Auditors' Response:

Based on our review of the content of the advertisement, it appears the primary purpose was to encourage voters to go to the polls.

VIII. Personnel Costs

The SOS did not complete periodic certifications for employees that worked full-time or solely on HAVA activities. During the audit period, \$885,573 for salaries and benefits was charged to the HAVA program. Although the employees and their supervisors signed bi-weekly time sheets documenting hours worked, they contained no description of what work the employees performed. Each time sheet indicated the number of hours worked, overtime hours, leave taken, and holidays, but they did not indicate that any of the work was for HAVA-related activities. We asked for position descriptions of the employees and based on our review, determined that they were assigned to HAVA-related activities, but the SOS had no after-the-fact certifications that they actually worked on the HAVA-related activities.

Recommendation:

We recommend that the Iowa SOS either return the questioned costs of \$885,573 or resolve with the EAC the appropriate corrective action regarding the lack of periodic certification.

SOS Response:

The previous administration of the SOS's office stated that they were confident the employee allocations were accurate, and if anything the Office of the SOS undercharged salaries and benefits to HAVA. In the future, the Office of the SOS will ensure that a certification is completed. The previous administration of the SOS's office is obtaining additional information from the supervisor and employees that will be submitted to the auditor. The supervisor periodically reviewed assignments of each employee to ensure the allocations were accurate. Additionally, in multiple cases the Office only charged a portion of employees' salaries and benefits even though their responsibilities were entirely HAVA related. If state funds were available to pay for the salary, or a portion of the salary and benefits, state funds were used to preserve HAVA funds.

In the followup response (Appendix A-1), the SOS included affidavits signed by the former First Deputy Secretary of State, confirming that the named individuals were paid with HAVA funds for the specified work that qualified as allowable costs under the HAVA provisions. The affidavits are not included in Appendix A-1, but will be provided to the EAC for consideration, and the SOS considers the issue resolved.

IX. County Equipment Lease Payment

One of the counties visited during the audit entered into a lease agreement for voting equipment that enabled the Office of the SOS and the county to meet a deadline of January 1, 2006 for having a HAVA compliant voting system in place, for which it paid \$115,500 from HAVA funds. The lease required the vendor to provide voting machines for any county elections during the period from December 15, 2005 to March 1, 2006 or until an agreement to purchase voting machines from it was reached. However, the County did not have a need for any voting

machines during this brief period because no elections were held. In February 2006, the county agreed to purchase voting machines from the vendor. In return, the vendor applied all but \$21,000 of the lease payment (\$94,500 of the \$115,500) to the purchase. The county did not receive any equipment for the \$21,000 or any other tangible benefit, and we are questioning this portion of the payment as a valid cost.

The SOS required the county to have a certified voting system in place by January 1, 2006. The county was waiting for the manufacturer of its voting machines to obtain certification of their machines so that it could modify the ones it owned for a modest amount and not have to incur the much higher cost of purchasing new voting machines. When it became apparent that the machines it owned could not get certified by the January 1 deadline, the County entered into a lease agreement with another vendor.

The county subsequently contracted to purchase voting systems from the new vendor (also the lessor) and the lease agreement was cancelled in February 2006. The county had made one payment of \$115,500 to the lessor by that time. The vendor had not provided the county with any equipment or services during the period of the lease. The first election held for federal office was the State primary election for the November 2006 general election, which took place in June 2006.

In order to obtain funding for the voting equipment lease and the purchase of new voting systems, the county obtained several grants from the SOS. One grant was for the \$115,500 and cited the county's lease of voting equipment. Other grants were for the purchase of voting systems. The SOS used HAVA Section 251 funds for all of the grants. When we discussed this lease with a representative of the vendor, she stated that a similar lease and purchase arrangement existed in another Iowa county.

In its Frequently Asked Questions Regarding Appropriate Uses of HAVA Funds, the EAC states that costs must be allowable, allocable and reasonable, and cites OMB Circulars A-87, A-102, A-122 and A-133 as guidance, in addition to the restrictions imposed by HAVA. As regards reasonable costs, a state must do some assessment to determine that the cost is justified based upon factors such as the frequency of use, leasing versus purchasing, and actual cost for the goods or service.

Recommendations:

We recommend that the SOS:

- Return \$21,000 of questioned costs to the State's election (HAVA) fund.
- Determine if a similar lease agreement was entered into by any other county and the SOS used HAVA funds to reimburse counties for payments for which no conceivable benefit was received.

SOS Response:

The previous administration of the SOS's office disagreed with the finding, citing the reasoning in Appendix A-1, and further stating that the counties chose to negotiate a short term lease, or essentially insurance, to be charged against their portion of voting equipment funds, in order to extend their time to make a purchasing decision. The previous administration of the SOS's office

believes there was a derived benefit in that counties were guaranteed the availability of equipment should a Federal election arise during that time period. Had such an agreement not been made and a vacancy had occurred, the state would have been out of compliance with Section 301 with no way to remedy the situation. A sanction would have the effect of penalizing the State for meeting the requirements of Section 301.

If the EAC determines this is not an allowable expense, the SOS will work with the counties to determine if they incurred additional related expenditures equal to or greater than the amount in question and if not, to require the counties to expend amounts equal to the amounts on HAVA related purposes.

X. Financial Reporting

Expenditures totaling \$3,094,909 were included in both HAVA Section 101 and 251 Financial Status Reports (SF-269s) filed with the EAC during 2004 through 2006 and a \$5,000 expense was included twice on the Section 251 SF-269 filed for fiscal year 2005. While determining why the duplicate expenditures were reported, staff of the SOS found that \$3,094,662 in additional HAVA expenses had been incurred but omitted from the SF-269s during the same reporting periods.

When staff analyzed the \$3,094,909 in expenditures that were included in both Section 101 and 251 SF-269s, they found that \$2,688,454 should have been reported as Section 251 expenses and \$406,455 should have been reported as Section 101 expenses. Similarly, when they analyzed the unreported HAVA expenses, they determined that \$2,991,107 should be reported as Section 251 expenses and \$103,555 were Section 101 expenses. Revisions to the SF-269s are needed to reflect the correct distribution of expenditures.

The last SF-269 filed with the EAC for Section 101 funds was for 2006, because the SOS reported that all Section 101 funds had been expended. The revisions will result in a balance of unexpended Section 101 funds, which will require the SOS to file Section 101 SF-269s for 2007 and beyond.

Recommendations:

We recommend that the SOS:

- Improve internal controls over the accounting and reporting of HAVA financial activities to the EAC. For example, all SF-269s should be reviewed and signed indicating concurrence with the data by an SOS official other than the preparer. Excel spreadsheets of HAVA expenditures should also be updated and reconciled to the official accounting system of the State at least monthly.
- Revise the SF-269s and supporting lists of detailed expenditures for HAVA Sections 101 and 251 to accurately report HAVA expenditures as identified above and as reviewed and approved by an official of the SOS other than the preparer.
- Submit the revised SF-269s and detailed expenditure listings to the EAC.

SOS Response:

The SOS stated that they were correcting the SF-269s and implementing the recommended procedures.

In the followup response (Appendix A-1), the SOS stated that they consider this issue resolved.

Auditors' Response:

Subsequent to our fieldwork, the SOS submitted revised SF-269s to the EAC to comply with the recommendation.

We provided a draft of our report to the appropriate individuals of the State of Iowa Office of the Secretary of State, and the United States Election Assistance Commission. We considered any comments received prior to finalizing this report.

CG performed its onsite fieldwork between June 10 and June 27, 2008, and performed followup procedures in January 2009.

Clifton Henderson LLP

Calverton, Maryland
September 9, 2009

MICHAEL A. MAURO
SECRETARY OF STATE



LUCAS BUILDING, 1ST FLOOR
DES MOINES, IA 50319

OFFICE OF THE IOWA SECRETARY OF STATE

August 17, 2009

Curtis Crider
US Election Assistance Commission
Office of Inspector General
1225 New York Ave, NW – Suite 1100
Washington DC 20005

RE: Draft Report of "Performance Audit Report – Administration of Payments Received Under the Help America Vote Act by the Iowa Secretary of State"

Dear Inspector General Crider:

Enclosed is the response from the State of Iowa in regards to the *Draft Report of "Performance Audit Report – Administration of Payments Received Under the Help America Vote Act by the Iowa Secretary of State"* dated May 15, 2009.

The following is a summary of the responses included for your review and consideration. It is our understanding that these responses will resolve the outstanding issues.

We look forward to hearing from you.

Sincerely,

A handwritten signature in cursive script, appearing to read "Michael A. Mauro".

Michael A. Mauro
Iowa Secretary of State

Draft Report of "Performance Audit Report--Administration of Payments Received Under the Help America Vote Act by the Iowa Secretary of State"

NFR # 1 – Interest on State Matching Funds

This issue has been resolved.

NFR # 2 – Cash Management on Grants to Counties

In November 2007, the Secretary of State's Office (SoS) adopted policies and procedures to ensure all current and future reimbursement payments are based on the actual invoice. A copy of the policy is attached. (Attachment # 1)

Upon issuance of the Performance Audit Report, the Secretary of State will contact each county that held HAVA funds for more than 14 days to outline the issue and request the county auditor's assistance in resolving this matter. A sample of the "Summary of HAVA Payments for Voting Systems" is attached. (Attachment # 2) This document will be used to determine interest earned, if any. Interest earned will be calculated based upon the rate provided by the Treasurer of State for the appropriate time period. The "Summary" will be provided to each county auditor with instructions to either: a) return the interest earned to the SoS to be deposited in the State Election Fund; or b) deposit the interest earned into the county's election fund and use it for HAVA related purposes during state fiscal year 2010 (i.e. additional voting equipment, poll worker training, etc.). The counties will then report the corresponding expense to the SoS to be included in the Financial Status Report.

NFR # 3 – Property Management

Upon issuance of the Performance Audit Report, the Secretary of State will contact each county to outline the issue and request the county auditor's assistance in resolving this matter. An inventory of equipment (created from invoices submitted to the SoS with the request for reimbursement or as proof of purchase) will be given to each county auditor with directions for verification, completion and certification. The counties will be asked to return their inventory of equipment to the SoS upon certification. A sample of the document is attached. (Attachment # 3)

NFR # 4 – Accessibility Grants to Counties

The State of Iowa has received letters of support from the Governor's Developmental Disability Council (Attachment # 4), and Iowa Protection and Advocacy Services. (Attachment #5)

NFR #5 – Procurement

The procurement policies and procedures for the Iowa Secretary of State's office are attached. The State of Iowa anticipates resolving this issue with the EAC. (Attachment # 6)

NFR # 6 – Celebrate Voting Project

No additional information is being provided at this time. The State of Iowa anticipates resolving this issue with the EAC.

NFR # 7 – Marketing Costs

No additional information is being provided at this time. The State of Iowa anticipates resolving this issue with the EAC.

NFR # 8 – Personnel Costs

Charles Krogmeier, who was First Deputy Secretary of State under the former administration from June 2004 until January 2007, has provided affidavits stating that the employees paid with HAVA funds worked on HAVA related projects. This resolves this issue. (Attachments # 7 - 22)

NFR # 9 – County Equipment Lease Payment

No additional information is being provided.

NFR # 10 – Financial Reporting

This issue has been resolved.

Iowa Secretary of State's Office Reimbursement Policy

The following Policy and Procedures have been adopted by the Iowa Secretary of State's Office (SOS) to ensure all reimbursement payments are made based on the actual invoice and in a timely manner. These policies and procedures also provide for the monitoring of sub-recipient awards from the State Election Fund to ensure the proper documentation of expenses.

1. All payments to counties shall be based on actual expense incurred for equipment received.
2. All "requests for reimbursement" must be accompanied by a copy of the invoice paid by the county, a copy of the county warrant and a copy of the packing or delivery slip.
3. The "request for reimbursement" must contain the original signature of the submitting party.
4. The "request for reimbursement" may not be faxed or e-mailed.
5. The SOS will review all "requests for reimbursement" to insure that the amounts are accurate, the purchase meets the requirements of the award, and proper documentation is attached. If the "request for reimbursement" meets all qualifications it shall be approved by the Deputy of Elections and Voter Registration or her designee and forwarded to the SOS finance division for processing. If one or more qualifications are not met it will be returned to the county unpaid.
6. The SOS finance division will attempt to process the claim for reimbursement within seven (7) working days of receipt of a claim containing all the required information.
7. The SOS finance division will attempt to mail payment warrants to counties within one (1) working day of receiving the warrant from the Department of Administrative Services / State Accounting Enterprise (DAS/SAE).

XYZ COUNTY - SUMMARY OF HAVA PAYMENTS FOR VOTING SYSTEMS

A) HAVA REIMBURSEMENT PAYMENT(S) TO COUNTY FOR VOTING EQUIPMENT

| FY | VENDOR | DESCRIPTION | OBJT | AMOUNT | WARRANT # | DATE PAID | DATE REDEEMED BY COUNTY | NUMBER OF DAYS HELD BEFORE PAYING VENDOR(S) | INTEREST EARNED |
|------|--------------------|--------------------|------|-----------|-----------|-----------|-------------------------|---|-----------------|
| 2006 | XYZ COUNTY AUDITOR | CT 06-HAVA-XYZ-100 | 4136 | 80,000.00 | 62146433 | 5/5/2006 | 5/17/2006 | 23 | 15.89 |
| 2006 | XYZ COUNTY AUDITOR | CT 06-HAVA-XYZ-SA1 | 4136 | 2,777.50 | 62288736 | 8/3/2006 | 8/14/2006 | 0 | |
| | | TOTAL | | 82,777.50 | | | | | |

B) COUNTY PAYMENTS TO VENDOR FOR VOTING EQUIPMENT

| VENDOR | DESCRIPTION | AMOUNT | WARRANT # | DATE PAID |
|-------------------|--------------------|------------|-----------|-----------|
| VS EQUIPMENT, INC | MACHINERY PURCHASE | 63,770.00 | 28945 | 4/11/2006 |
| VS EQUIPMENT, INC | MACHINERY PURCHASE | 46,703.00 | 29423 | 6/9/2006 |
| | TOTAL | 110,473.00 | | |

23

C) DETERMINING INTEREST EARNED

formula = (amount x rate) / 365 x days

| | RATE* | AMOUNT | NUMBER OF DAYS HELD (OVER 14) |
|--|--------|-----------|-------------------------------|
| Amount not expended by county within 14 days | | 16,230.00 | |
| Interest Earned in June 2005 | 0.0397 | 15.89 | 9 |
| Total amount of Interest Earned | | 15.89 | |

* rate provided by the Treasurer of State

| ID # | Description | Serial # | Acquisition Date | Invoice # | Cost | % of Fed | % of Co | % of State | Location | Condition | Disposition | Date of Disposal | Sale Price |
|------|--|----------|------------------|-----------|----------|----------|---------|------------|----------|-----------|-------------|------------------|----------------|
| | Security Card (2) | | | 1471 | 10.00 | 100 | | | | | | | |
| | Administrator Card (2) | | | 1471 | 12.00 | 100 | | | | | | | |
| | Supervisor card | | | 1471 | 96.00 | 100 | | | | | | | |
| | PCMCIA modem card | | | 1471 | 175.00 | 100 | | | | | | | |
| | Voter Access cards (5 per booth = 60 cards) | | | 1471 | 210.00 | 100 | | | | | | | |
| | Additional Memory Card (2) | | | 1144 | 450.00 | | 100 | | | | | | |
| | TSX Software License (12) | | | 1471 | 1,200.00 | 100 | | | | | | | |
| | Software License (13) | | | 1144 | 1,300.00 | | 100 | | | | | | |
| | TSX w/memory card, voting booth, modem, soft-side carryng case | 263890 | | 1471 | 3,000.00 | 100 | | | | | | | |
| | TSX w/memory card, voting booth, modem, soft-side carryng case | 272822 | | 1471 | 3,000.00 | 100 | | | | 24 | | | |
| | TSX w/memory card, voting booth, modem, soft-side carryng case | 272861 | | 1471 | 3,000.00 | 100 | | | | | | | |
| | TSX w/memory card, voting booth, modem, soft-side carryng case | 272862 | | 1471 | 3,000.00 | 100 | | | | | | | |
| | TSX w/memory card, voting booth, modem, soft-side carryng case | 272880 | | 1471 | 3,000.00 | 100 | | | | | | | |
| | TSX w/memory card, voting booth, modem, soft-side carryng case | 272881 | | 1471 | 3,000.00 | 100 | | | | | | | |
| | TSX w/memory card, voting booth, modem, soft-side carryng case | 272884 | | 1471 | 3,000.00 | 100 | | | | | | | |
| | TSX w/memory card, voting booth, modem, soft-side carryng case | 272890 | | 1471 | 3,000.00 | 100 | | | | | | | Attachment # 3 |
| | TSX w/memory card, voting booth, modem, soft-side carryng case | 272935 | | 1471 | 3,000.00 | 100 | | | | | | | |
| | TSX w/memory card, voting booth, modem, soft-side carryng case | 272940 | | 1471 | 3,000.00 | 100 | | | | | | | |
| | TSX w/memory card, voting booth, modem, soft-side carryng case | 272994 | | 1471 | 3,000.00 | 100 | | | | | | | |
| | TSX w/memory card, voting booth, modem, soft-side carryng case | 272995 | | 1471 | 3,000.00 | 100 | | | | | | | |
| | Headphone / keypad (12) | | | 1471 | 3,840.00 | 100 | | | | | | | |

Preparation, Participation and Power.

August 13, 2009

Election Assistance Commission
1225 New York Avenue, Suite 1100
Washington, DC 20005

Dear Members of the Election Assistance Commission:

As you are well aware, one of the intentions of the Help America Vote Act (HAVA) was to improve the accessibility of elections for individuals with disabilities. In Iowa, a significant barrier to the participation of people with disabilities as voters was the physical inaccessibility of many of the state's precinct polling places. Iowa stakeholders, with the leadership of then Secretary of State Culver set as a goal, 100 % compliance with federal accessibility requirements for each of the state's 1,774 precincts.

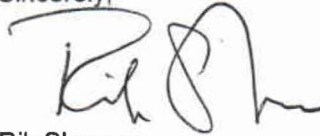
Among the strategies used to achieve this goal were grants to counties to assist them to improve the accessibility of their polling places for voters with disabilities. The grants provided up to \$2,500 per polling place and required a local match of 25 percent. The response from counties was enthusiastic and the funding and technical assistance available through the program resulted in the full accessibility of all of Iowa's polling places.

The Iowa DD Council was an early and active partner in the implementation of the HAVA in Iowa, and particularly committed to growing opportunities for Iowans with disabilities to be fully included as voters. That commitment was demonstrated by the state's good faith effort to capture the intent of HAVA and ensure the accessibility of elections for all. We recognize that the Election Assistance Commission was not established until months after many states began implementing the HAVA, but hope that the Commission will not penalize the efforts of state's like Iowa with requirements that were available only after the job in Iowa was completed.

The DD Council encourages you to support the State of Iowa for its commitment to use HAVA funds for the purposes for which they were intended and we strongly encourage the Election Assistance Commission to allow the expenditure of all HAVA funds utilized to improve polling place accessibility.

Thank you for your consideration and your commitment to making elections accessible to all Americans.

Sincerely,



Rik Shannon
Public Policy Manager
Iowa Developmental Disabilities Council

Chester J. Culver
GOVERNOR

Patty Judge
LT. GOVERNOR

MAIL
617 East Second Street
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ddcouncil](http://www.state.ia.us/ddcouncil)



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info@ipna.org

August 13, 2009

Election Assistance Commission
1225 New York Avenue, Suite 1100
Washington, DC 20005

Dear Members of the Election Assistance Commission:

As you are well aware one of the purposes of the Help America Vote Act (HAVA) was to improve accessibility to voting to individuals with disabilities. In the State of Iowa, one accomplishment was ensuring that all of Iowa's 1774 precincts were accessible to all Iowa voters. Iowa accomplished this goal largely through the leadership of Secretary of State Chester J. Culver.

Among the mechanisms used to achieve this goal was a grant process for counties to assist in making accessibility improvements to polling places. The grant provided was limited to \$2,500 per polling place and required a local match of 25 percent. Through this program, all of Iowa's polling places were made accessible.

Having been involved with the HAVA implementation, our organization recognizes the Election Assistance Commission was put in the difficult position of being established months after states began implementing the HAVA. We would hope the Commission also recognizes the good faith effort of states such as Iowa to accomplish HAVA's purposes. We also hope that Commission does not employ an overly bureaucratic requirement that was published after the polling place accessibility project had been completed by the State of Iowa.

Iowa Protection and Advocacy Services, Inc. had the distinct pleasure to travel with the Assistant Secretary of State to visit various election sites around Iowa to assure that they met the requirements for accessibility with individuals with accessibility. As you are aware, the protection and advocacy system nationwide receives an annual award through HAVA to continue their work in each state to assure that citizens living with disabilities, mental illnesses and those who are elderly are participating to the fullest in our greatest freedom --- the right to vote for those we wish to represent each and every one of us. We are proud to have participated and to continue to participate on behalf of Iowa's citizens with disabilities.

We encourage you to commend the State of Iowa for its commitment in using HAVA funds to make Iowa's polling places fully accessible to persons living with disabilities, and for accomplishing all the HAVA requirements in a timely fashion. We strongly encourage the Election Assistance Commission to allow all costs paid for through HAVA funds related to polling place accessibility.

Election Assistance Commission
Page 2
August 13, 2009

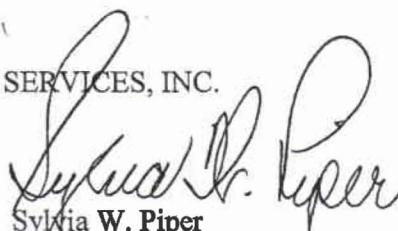
Thank you for your consideration and your commitment to making
elections accessible to all Americans.

Sincerely,

IOWA PROTECTION AND ADVOCACY SERVICES, INC.



Lesla Niday, President
Board of Directors



Sylvia W. Piper
Executive Director

Iowa Secretary of State's Office General Procurement Policy

The Secretary of State's Office is not considered a "state agency" (Iowa Code § 8A.101) and therefore sets its own procurement policies for purchasing goods and services.

Purchasing Goods and Services

1. Whenever possible, the Secretary of State's Office will purchase from existing state contracts or from a targeted small business.
2. For purchases under \$1,000, no bidding process is required.
3. For purchases from \$1,000-\$10,000, an informal bidding process will be used
 - a. Create an informal bid document
 - b. Obtain three informal phone / e-mail / fax bids
 - c. Make purchase
 - d. Attach informal bid responses to payment document
4. For purchases from \$10,000-\$50,000, either an informal (see # 3 above) or formal process (see #5 below) may be used
5. For purchases over \$50,000 a formal bidding process will be used
 - a. Create formal bid document
 - b. Post to the bid opportunities website hosted by the Department of Administrative Services
 - c. Obtain formal sealed bids (RFP, RFB)
 - d. Select vendor and create purchase order
 - e. Make purchase
 - f. Attach purchase order to payment document
6. State (Master) Contract Purchases – purchases made from a state contract may be made without further competition.
 - a. Make purchase
 - b. Reference contract number on payment document

Sole Source Purchases

1. A sole source procurement will be avoided unless necessary and justifiable.
2. Sole source procurements may be used under the following circumstances:
 - a. One vendor is the only one qualified or eligible or is quite obviously the most qualified or eligible to provide the good or service; or
 - b. The procurement is of such a specialized nature or related to a specific geographic location that only a single source, by virtue of experience, expertise, proximity, or ownership of intellectual property rights, could most satisfactorily provide the good or service; or
 - c. Applicable law requires, provides for, or permits use of a sole source procurement; or
 - d. The federal government or other provider of funds for the goods and services being purchased (other than the State of Iowa) has imposed clear and specific restrictions on the use of the funds in a way that restricts the procurement to only one vendor; or
 - e. The procurement is an information technology device or service that is systems software or an upgrade, or compatibility is the overriding consideration or the procurement would prevent voidance or termination of a warranty, or the procurement would prevent default under a contract or other obligation
3. When a sole source process is used, the justification document will be approved by signature of either the Secretary of State or a Deputy Secretary of State.
4. The sole source justification document will be attached to the payment document.

Attachments 7 - 22 have been excluded from this report, but will be provided to the EAC for their consideration in determining the resolution of this finding.

Report Finding I**NFR #2****CONDITION:**

Iowa established an election fund to hold Help America Vote Act (HAVA) funds in accordance with the requirements of HAVA Section 254. In addition to federal funds received by Iowa, HAVA requires that the election fund also hold the five percent State matching funds that enabled Iowa to qualify for the federal HAVA Section 251 funds. Furthermore, interest earned from the investment of the monies must also be deposited into the election fund. The timely deposit of interest earnings produces a compounding effect that adds additional funds to the program. As of June 17, 2004, the date Iowa received its HAVA Section 251 funds from the federal government, its matching requirement was \$1,249,441. Iowa partially met the matching requirement by depositing \$423,000 into the election fund early, on July 30, 2003. Then it paid \$765,000 to vendors during 2004 and 2005 out of its general fund that it considered as an additional portion of its matching requirement. Finally, on August 30, 2007, it deposited \$61,000, which was only \$441 short of the remaining matching requirement. It also deposited \$7,352 of interest on the late payment of \$61,000. This essentially met the state matching requirement, but because \$441 of the matching requirement was never paid and the \$765,000 in payments to vendors were made from 2 to 13 months late, net interest earnings of \$11,741 was missing from the election fund. Furthermore, until the State transfers the remaining principal and interest into the election fund, the balance due the election fund is increasing daily because the State Treasurer keeps any unexpended HAVA funds invested and they earn additional interest continuously.

CORRECTIVE ACTION RECOMMENDED:

We recommend that Iowa transfer the \$12,182 of principal and interest owed to the election fund for the period from June 2004 through April 2008, plus any additional interest owed after April 30, 2008 through the date of the transfer.

RESPONSE:

The current Office of the Secretary of State has informed us this matter has been resolved.

NFR #2 Attachment A – Documentation showing the completion of the transfer

Report Finding II

NFR #3

CONDITION:

The Office of the Secretary of State (SOS) did not manage HAVA funds in an efficient manner. It provided grant funds to counties for the acquisition of voting systems sometimes in advance and, at least once, as a reimbursement of costs incurred. Moreover, the interest reported on the annual Financial Status Reports to the EAC for HAVA Section 251 funds did not include the interest earned by county election officials.

We obtained information on when 10 counties received and spent HAVA funds for the acquisition of voting systems. We found that the SOS provided cash to five counties close to the date that the funds were needed.

However, for the other half of the counties, we found the following:

- Polk County received \$1 million prior to its expenditure by 70 days.
- Scott County received \$595,000 prior to its expenditure by nearly 7 months.
- Floyd County received \$112,000 five months prior to its expenditure.
- Polk County received \$680,000 prior to its expenditure by 39 days.
- Scott County received \$115,000 one year prior to its expenditure.
- Woodbury County received \$327,000 prior to its expenditure by 35 days.
- Wright County received \$64,000 after its expenditure by 23 days.

Where HAVA funds were received prior to their disbursement to vendors, they were invested by county treasurers. Interest earned by the county on the HAVA funds was deposited into a general supplemental fund rather than an election fund for the benefit of the HAVA program. Also, the interest earned was not reported to the Office of the Secretary of State nor was the interest earned included on the Financial Status Reports submitted by the SOS to the EAC.

CORRECTIVE ACTION RECOMMENDED:

Election equipment used in voting systems and voter registration systems is sensitive property and therefore should be secured, protected, controlled and accounted for.

We recommend that the Secretary of State:

1. Require staff of the SOS to conduct a physical inventory of all HAVA-funded equipment in the possession of the SOS and use the results to correct its property records.
2. Ensure that the property management records have the minimum information required in the Common Rule.
3. Seek guidance from the EAC on the definition of sensitive property to clarify whether voting equipment not meeting the capitalization threshold (accountable property) should be tracked and accounted for.

RESPONSE:

Based on the advice and counsel from the State Auditor's Office, the Secretary of State's Office developed, in conjunction with and approval of the State Plan Advisory Committee, the 2005 Iowa HAVA Voting System Funding Program which was approved on April 27, 2005 (See NFR #3 Attachment A -- 2005 Iowa HAVA Voting System Funding Program, April 27, 2005, page 7). During the development of the Funding Program, the Secretary of State's Office had the State Auditor's Office review and

comment on the program. The Secretary of State's Office incorporated comments from the State Auditor's Office.

The Secretary of State's Office considered two methods of handling the voting system funding program. One method would be reimbursement based. Counties indicated it would be hardship on county cash flow to be required to seek reimbursement. Therefore, the Secretary of State's Office pursued a model where the funds would be provided after the delivery of the equipment in order to ensure hardship was not placed upon counties. Pursuant to the plan, the Secretary of State's Office processed payments based on the anticipated date so the needed funds were available to pay for the equipment. Some counties appear to have withheld payments to vendors for an excessive period of time.

The Secretary of State's Office has conducted a physical inventory of all Office of the Secretary of State's HAVA-funded equipment.

If counties held the funds for more than fourteen days, the Secretary of State's Office will work with counties to calculate the amount of interest earned and ensure the counties spent the funds for HAVA related purposes, or require the funds be dedicated for HAVA related purposes.

The Secretary of State's Office will seek additional guidance from the EAC on sensitive property and whether voting equipment meets the capitalization threshold. If the EAC requires additional inventory requirements, the Secretary of State's Office will communicate the requirements to counties.

ATTACHMENT:

NFR #3 Attachment A -- Iowa HAVA Voting System Funding Program as approved on April 27, 2005.

Report Finding III

NFR #4

CONDITION:

The lists for HAVA-funded property were inconsistent among the counties and were inadequate in all but one county that we visited. Where county lists of optical scan and touch screen machines were prepared by the vendor, those lists contained only the serial numbers of the optical scan and touch screen machines. Where county lists from accountable property systems were provided, the lists failed to identify the portion of federal participation in the cost of the equipment in all but one case. One county provided a county-prepared list, but it contained no acquisition dates, costs, or the portion of federal participation in the cost.

Moreover, the capitalization threshold was used to determine whether HAVA equipment should be included in the accountable property systems. Since voting machines and voter registration system equipment did not reach the capitalization threshold for some counties, the HAVA property was not accounted for in their property systems. However, since voting machines and voter registration equipment are sensitive assets, they should be accounted for even though, individually, the equipment items did not exceed some counties' capitalization thresholds.

The Office of the Secretary of State (SOS) acquired HAVA-funded equipment to operate its Statewide voter registration system. It provided counties with some of that equipment to help them connect to the Statewide voter registration system and manage the voter registration database.

Additionally, the SOS awarded grants of HAVA funds to each of Iowa's 99 counties to assist them in the acquisition of new voting equipment. In most cases, the grants covered most, but not all, of the cost of the new voting equipment. The voting equipment could include:

- precinct count optical scan machines
- DRE (direct recording electronic) machines
- central count optical scan machines for absentee and/or provisional ballots
- ballot marking devices
- ballot preparation software and hardware
- voting booths
- initial software license fees
- training costs related to new voting systems
- hardware and software upgrades to meet 2002 standards
- racks and carts necessary to store and transport voting equipment
- ballot transfer cases

The vendor provided the counties with lists of the serial numbers of the direct recording electronic (touch screen) voting machines and optical scan voting machines. Some counties recorded the purchases in their property records. Other counties did not include the purchases in their property records because the equipment did not meet the minimum (dollar) thresholds for capitalizing property.

We tested 8 of 17 HAVA-funded items on the SOS's property inventory list. We found that six of the eight serial numbers were recorded correctly, but for two of the items, the serial numbers of the property did not agree with what was recorded on the property list.

We visited 10 of Iowa's 99 counties to review the counties' management of HAVA-funded property. We requested inventory lists of HAVA-funded property from officials of each of the 10 counties. Some county officials provided us the vendor-prepared lists of optical scan and touch screen machines without the voter registration equipment they had received from the SOS. Some provided us the vendor-prepared lists supplemented with the lists of voter registration system equipment provided by the SOS. Others provided us lists from their counties' accountable property systems. One county official provided us with both the vendor lists and the accountable property lists for her county.

CORRECTIVE ACTION RECOMMENDED:

Election equipment used in voting systems and voter registration systems is sensitive property and therefore should be secured, protected, controlled and accounted for.

We recommend that the Secretary of State:

1. Require staff of the SOS to conduct a physical inventory of all HAVA-funded equipment in the possession of the SOS and use the results to correct its property records.
2. Ensure that the property management records have the minimum information required in the Common Rule.
3. Seek guidance from the EAC on the definition of sensitive property to clarify whether voting equipment not meeting the capitalization threshold (accountable property) should be tracked and accounted for.

RESPONSE:

Most of the property purchased through HAVA funds cost under \$5,000 and would not fall under the "Common Rule." Each Federal agency typically defines for itself "sensitive property." To date the EAC has not provided guidance as to whether or not voting equipment and voter registration equipment is "sensitive property" for inventory purposes.

We believe both voter registration equipment and voting systems should not be considered "sensitive property" for inventory purposes. Such property should be secured when not in use in a safe and inventory-controlled manner similar to other pieces of technology. For the short period of time such equipment is in use and being prepared to be in use, the equipment may be sensitive property. As we do not believe it to be sensitive property a majority of time, following the counties' inventory control protocol is appropriate.

The Secretary of State's Office has conducted a physical inventory of all Office of the Secretary of State HAVA-funded equipment and corrected its records.

The Secretary of State's Office will work with counties to ensure inventories meet the "Common Rule" requirements.

The Secretary of State's Office will seek additional guidance from the EAC on sensitive property and whether voting equipment meets the capitalization threshold. If the EAC requires additional inventory requirements, the Secretary of State's Office will communicate the requirements to counties.

Report Finding IV

NFR #5

CONDITION:

The Secretary of State (SOS) did not obtain a certification required by HAVA Section 251(b)(2) to use HAVA funds for capital improvements from the EAC until June 27, 2008. Therefore, there was no certification at the time HAVA 251 funds were spent on accessibility grants. Furthermore, the SOS has not obtained approval from the EAC to use HAVA Section 251 funds for capital improvements such as making polling places accessible to voters with disabilities.

The accessibility grants were made to counties and they contained a 25 percent county matching requirement and a maximum reimbursable amount of \$2,500 per project. Locations of the improvements included community centers, churches, and city halls. For example, at one church, a sidewalk to the rear of the church was constructed and a parking space was marked and posted for handicapped parking. At some city/town halls, automatic door openers were installed. Section 251 and Section 261 funds were used for the 75 percent portions of the grants.

CORRECTIVE ACTION RECOMMENDED:

We recommend that the Secretary of State resolve with EAC the questioned costs of \$369,740 due to the lack of a HAVA Section 251(b)(2) certification and a pre-approval from the EAC at the time HAVA Section 251 funds were used for accessibility grants.

RESPONSE:

The Office the Secretary of State did provide to the Election Assistance Commission notice of its intent to use HAVA Funds to improve polling place accessibility. The State Plan Amendment, adopted May 23, 2005, clearly indicated the State's intent to expend HAVA funds "to reimburse counties for the costs of making improvements to increase accessibility" (See NFR #1 Attachment B -- State of IOWA, Help America Vote Act, State Plan Update, May 23, 2005, page 12). The amendment was submitted to the Commission. Neither the Commission nor its staff contacted the Office of the Secretary of State with concerns about that plan.

As noted in an earlier response, the Office of the Secretary of State did not differentiate between Section 101 and 251 funds in method until the yearly reports were submitted. The State viewed Sections 101 and 251 to be interchangeable.

The State further notes that pursuant to its "HAVA Making Changes: Polling Place Accessibility 2005" program, all site improvements were to be completed by January 1, 2006 (See NFR #5 Attachment A). The State in limited circumstances granted extensions as long as the improvements were complete before the June 2006 Primary Election. The Commission issued guidance related to capital improvements in its FAQs first published in June of 2006, after the program was completed.

Furthermore, following OMB Circular No. A-87, the state believed its improvements for polling places, which were limited to a maximum of \$2,500, fell under an exception

contained in Attachment B item 15(b)(3) which states “Capital expenditures for improvements to land, buildings, or equipment which materially increase their value or useful life are unallowable as a direct cost except with the prior approval of the awarding agency.” If such costs are not allowable, the Office believed that costs that did not materially increase the value or useful life of the buildings were allowable and did not require prior approval.

The Help America Vote Act specifically provided funding in section 261 to improve polling place accessibility. Section 101 specifically includes polling place accessibility as an allowable purpose. The State chose to use additional HAVA funds to make Iowa’s polling places 100 percent accessible.

If the EAC would like additional documentation that the improvements did not materially increase the value or useful life, the Office of Secretary of State would work with counties to provide the EAC additional documentation.

If the EAC determines, that preapproval is required, the Secretary of State’s Office will request retroactive approval for the projects under this program. Should the Office choose to conduct any real property improvement in the future, the Office will seek prior approval.

For the more full discussion the question of Section 101 versus section 251 funds see the response to NFR #1.

ATTACHMENTS:

See NFR #1 Attachment A -- State of IOWA, Help America Vote Act, State Plan as adopted July 17, 2003 (included as an attachment to NFR #1).

NFR #5 Attachment A -- HAVA Making Changes: Polling Place Accessibility 2005.

Report Finding V

NFR #6

CONDITION:

The Office of the Secretary of State (SOS) procured goods and services for the HAVA program through sole source contracts with several vendors. For example, graphic design and printing vendors contracted to provide goods and services for Iowa's HAVA program. Another vendor contracted to provide management and facilitation for the implementation of key elements of the HAVA State Plan for Iowa and its subsequent amendment. That vendor also managed and facilitated the planning and execution of the "Celebrate Voting" program.

The Auditor of State issued a finding in its 2006 Single Audit report about the sole source procurement of a contractor to implement key elements of Iowa's State Plan and the reimbursement of that contractor for costs associated with the "Celebrate Voting" program. It said:

In May 2003, the Office of Secretary of State (SOS) entered into a sole source contract with an independent contractor to provide services for the implementation of the State Plan for the Help America Vote Act (HAVA). The SOS subsequently entered into contract amendments, extensions and additional contracts with this contractor to obtain services to implement the key elements of Iowa's State Plan. For the year ended June 30, 2006, the SOS paid the contractor \$257,943 for services and expenses, under these contracts, including \$61,238 of unallowable costs noted in finding 06-111-EAC-635-1.

The SOS also entered into contracts with other contractors for the procurement of goods and services related to the implementation of HAVA, including election official training and voter awareness, which were not competitively bid. Under Chapter 8A of the Code of Iowa, the SOS: as an elective office, is not required to follow the State's procurement guidelines. However, Chapter 47.5 of the Code of Iowa requires bids for goods and services needed in connection with registration of voters or preparation of elections. The amount of payment under these contracts has not been determined.

The SOS maintained documentation as to the reasons it desired to use the sole source contractor, but did not maintain documentation the contractor was the only qualified contractor. Documentation was not available to determine whether procedures were performed to determine whether other possible contractors existed or were considered. In addition, there was no documentation available as to why competitive bidding was not performed as required by Chapter 47.5 of the Code of Iowa. As a result, there is no assurance the State received the best value possible for the services performed and, accordingly, the contract payments are questioned.

The Auditor of State recommended that the SOS should follow the State's bidding policies, as required by Chapter 47.5 of the Code of Iowa, to ensure it is getting the best

value for the goods and services obtained and should also resolve the questioned costs with the U.S. Election Assistance Commission.

Although the SOS was not required to follow the administrative laws and regulations of the State of Iowa for all of its procurements, it used contract forms of the Iowa Department of Administrative Services (DAS) when it entered into contracts for services. These forms ensured that paragraphs describing the scope, term, and costs of the contract were included. The problem was that fees for services were negotiated with the contractors and not subjected to competition and comparison with other bidders so that the SOS could ensure it got the best value or even a reasonable price. For example, the professional fee with the vendor for facilitation and management of the HAVA program was identified as \$22,145 per month for the last 11 months of 2005 without identifying an hourly rate or an estimate of the hours to be worked or the number of employees assigned to the contract in order to earn the monthly fee. Many contracts for professional services identify key individuals that will work on the project or hourly rates for different classes of workers. Beginning in 2006, monthly fees were reduced to \$13,000 in January, \$10,000 in February, \$8,000 for the next 2 months, and then \$6,000 for May. Was work on the HAVA program winding down so that the SOS needed substantially less of the vendor's services? Even though the contract scope changed for each month, no key staff, hourly rates for different classes of workers, or estimates of hours to be worked was identified. As a result, we were not able to determine if each month's fee was reasonable.

Another contract for State election official and precinct official training was negotiated in a sole source manner so that one of Iowa's higher learning institutions could provide the training services. This contract was justified as an interagency agreement. However, the SOS agreed to pay administration fees to an intermediary (under another contract) who managed the program and the higher learning institution instead of actual costs. We noted that several payments were made to the higher learning institution before the effective date of its contract.

We concluded that if the SOS was exempt from the State's procurement requirements, the SOS should have its own procurement rules and regulations for its staff to follow. We asked officials of the SOS if they had any procurement rules or policies and they said no. We then asked an official of the Auditor of State how its office, another agency that was exempt from following the State's procurement rules and regulations, dealt with the exemption. The official said that the Auditor of State chose to follow the State's procurement requirements for non-exempt offices and to avail itself of the services of the DAS.

CORRECTIVE ACTION RECOMMENDED:

1. Resolve the questioned costs with the EAC
2. Adopt policies and procedures for procurement activities and for the SOS staff involved in procurement and contract administration or allow the DAS to provide procurement and contract management services to the SOS.

RESPONSE:

Iowa Code Section 47.5 on competitive bidding does not apply to the “state commissioner” who is the Secretary of State, but instead applies to the “county commissioner of elections.” In this Chapter of the Code, the terms “commissioner” and “county commissioner” are used interchangeably as the “county commissioner of elections.” Only when the term “state commissioner” is used in the chapter referring to “state commissioner of elections” or the Secretary of State. This interchangeability of “commissioner” and “county commissioner of elections” begins in section 47.2 which describes the role of the “county commissioner of elections” and continues throughout the chapter. If the term “commissioner” is read to mean the “state commissioner of elections”, there are times in section 47.5 when a “board of supervisors” which is the governing board of counties must approve the purchase. In 47.5 the term “state commissioner” is used when referring to the Secretary of State.

The Secretary of State’s Office sought advice from the Iowa Attorney General’s Office prior to entering a contract with the State Public Policy Group. The Attorney General’s Office later memorialized the oral advice provided through a client advice letter indicating that Iowa Code Section 8A did not apply to statewide elected officials, only to state departments. (See NFR #6 Attachment B – Client Advice Letter to the Secretary of State’s Office)

Nevertheless, the Secretary of State’s Office completed the Iowa Code Chapter 8A process for sole source procurement for the purchase of services to assist in the implementation of the HAVA program.

Under the Iowa Department of Administrative Services’ standards for sole source procurement for service contract 11 Iowa Administrative Code rule 11-106.7(8A) (2005) the Secretary of State’s Office justified the sole source procurement under the following:

- a. A state agency determines that one service provider is the only one qualified or eligible or is quite obviously the most qualified or eligible to perform the service and
- f. Applicable law requires, provides for, or permits use of a sole source procurement.

The vendor selected was uniquely qualified to complete the project:

- The vendor had an excellent reputation for facilitating public policy task forces and nearly exclusively completed this function in the State.
- The vendor’s previous work includes facilitation of the task force to decide whether or not to sell the Iowa Communications Network (ICN), one of the biggest controversies of state government in the 1990s.
- The vendor had availability immediately. The project required a contractor able to devote significant time to the project with little notice.
- The vendor had sufficient resources to adequately and immediately staff the committee and various work groups and public hearings during the two-month period leading to finalization of the preliminary plan.

- The vendor had completed similar projects with the State of Iowa.
- The vendor had a strong knowledge of local government structure and officials.
- The vendor had an established framework for completing planning projects of this scope.

The Secretary of State's Office did have knowledge of other contracts for similar services and the costs associated with such contracts prior to beginning negotiations with the vendor. The Office's research concluded that the State Public Policy Group was the most qualified and likely the only qualified vendor for this project (See Attachment D – State Public Policy Group Contracts).

The amounts paid under the contract with the vendor were reduced after 2005 because the project was indeed winding up. The planning was completed and much of the implementation was completed. As the project progressed, the need for the vendor's service decreased and accordingly the contract was decreased.

The Secretary of State's Office followed the state's accountable government requirements in the contract. Each contract included items that must be delivered under that contract. The Office ensured that the deliverables were delivered as required by the state's accountable government requirements (See Attachment D – State Public Policy Group Contracts). The Office determined a value for the deliverables through a variety of means, including estimates of the costs for obtaining staff to complete the deliverables. Furthermore, the Office relied on counsel of an Assistant Attorney General with significant purchasing experience including with Federal programs to assist in this process and the state's lead purchasing agent.

Recognizing the need for training and education of state and local government officials, Iowa State University established the Office of State and Local Government Programs. The Office which is part of the Iowa State University Extension program has provided leadership in training to the State and Local Officials in Iowa. This office has been used as a resource to state and local governments to develop and implement training programs. Some payments were made to Iowa State University, almost entirely for county election officials to attend trainings that were not a part of the contract. This forty-hour training and continuing education modeled after the Election Center's certification program provided the only comprehensive Iowa elections training. The training was jointly developed by the Iowa State Association of County Auditors (the local election administrators), the Secretary of State, and Iowa State University Extension Service. The program was highly successful and by the end of 2006 every county in Iowa had participated in the program. A Deputy Attorney General assisted with the drafting of the 28E Agreement and provided legal advice related to the agreement and its provisions.

The Office of the Secretary of State has discontinued the use of the intermediary and has assumed a direct relationship with Iowa State University.

The establishment of the intergovernmental entity SEAT to provide a stable ongoing entity to develop and conduct ongoing election training was critical to continuation of the program. The county auditors in Iowa are independently elected officials with the responsibility of administering elections. The Secretary of State's authority with local election officials is very limited. This intergovernmental agreement lowered the level of distrust between the local and state officials by creating an entity for joint purpose. Furthermore, by including the Iowa Association of Counties, it included representation from the county boards of supervisors (the county's executive and legislative components). As the sole purpose of the SEAT entity is to "facilitate the design, development and delivery of enhanced education and training for election officials in order to assure statewide accuracy and consistency in carrying out elections in Iowa," we believe this clearly is a direct cost and not an indirect cost. We understand that \$3,750 of the indirect costs were paid to the intermediary and the remaining amounts in the agreement have not been paid. Instead the state has directly paid Iowa State University for services related to planning, facilitating, holding, and retaining completion records for the trainings.

The Office of the Secretary of State followed the state procurement rules, even though such rules did not apply. The Office used sole source procurement in a justified manner and in accordance with the state purchasing policy. Guidance was provided by legal counsel to ensure all state requirements were met. (See NFR #6 Attachment E – Client Advice Letter to the Secretary of State's Office)

In the future, the Office will avoid the use of sole source procurements.

ATTACHMENT:

NFR #6 Attachment A – Iowa Code Chapter 47

NFR #6 Attachment B – Client Advice Letter to the Secretary of State's Office (4.6.04)

NFR #6 Attachment C – 28E Agreement for Enhanced Statewide Election Training

NFR #6 Attachment D – Contracts with the State Public Policy Group

NFR #6 Attachment E – Client Advice Letter to the Secretary of State's Office (4.26.07)

Report Finding VI

NFR #7

CONDITION:

In Iowa's Fiscal Year 2006 Single Audit Report, the Office of the State Auditor questioned \$61,238 of election (HAVA) funds spent for activities related to a program called "Celebrate Voting." We reviewed the finding and followed up on it to determine if all HAVA costs associated with the program had been identified in the 2006 audit report. We concluded that HAVA funds totaling \$118,224 were spent on unallowable activities related to celebrate voting - \$95,928 of Section 101 funds and \$22,296 of Section 251 funds.

Celebrate Voting was a celebration of the 40th anniversary of the Voting Rights Act, the 85th anniversary of the 19th Amendment to the Constitution, and the legacy of voting rights in Iowa. An official for the League provide young people with a historical perspective on the struggle of African-Americans and women to of Women Voters of Iowa, a co-sponsor of the program, stated that Celebrate Voting was intended to achieve the right to vote. HAVA funds were spent on an essay competition, as well as a traveling exhibit, that told the story of the long and difficult struggle. HAVA expenses included costs of speakers, entertainers, supplies, medallions for honorees, children's activities, travel, and space rental.

The program was included in Amendment 1 to the State Plan submitted to the EAC on June 9, 2005 and described the goals of "Celebrate Voting" as follows: Engage participation and representation of Iowa's diverse cultural groups a celebration centering on the 40th Anniversary of the Voting Rights Act, the 85th Anniversary of the 19th Amendment, and the 15" Anniversary of the ADA. The celebration will includes [sic] events across Iowa, a curriculum on voting rights for use in schools, and extensive education on voting.

A working group of the HAVA State Plan Advisory Commission planned the program.

Celebrate Voting "kicked of" in downtown Des Moines on August 5, 2005 with lunchtime food and entertainment on the Nollen Plaza near the Des Moines River. A gala banquet followed that evening at the Iowa State Historical Museum. On Sunday, August 6, 2005, a hip hop activity and a poetic look into Iowa's voting history took place. The program continued during the next several months at the University of Iowa, the University of Northern Iowa, Drake University, and the Carrie Chapman Catt Center for Women and Politics at Iowa State University. Activities concluded in Waterloo and Iowa City in November 2005.

CORRECTIVE ACTION RECOMMENDED:

We recommend that the Iowa Secretary of State work with the Election Assistance Commission (EAC) to determine if the costs related to "Celebrate Voting", as set forth in the accompanying schedule, qualify for HAVA funding. If the EAC decides that the costs do not qualify as proper uses of HAVA funds, then the Secretary of State should transfer the amount determined to be unallowable from State funds into the election fund.

RESPONSE:

The issue of the certification of the use of Section 251 funds is discussed in detail in response to NFR #1.

HAVA Section 101(b) specifically provides for the use of funds provided under section 101 to be used for “educating voters concerning voting procedures, voting rights, and voting technology.” “Celebrate Voting” sought to provide voting rights education through many nontraditional means to a variety of people and in particular persons that often are ignored or missed through many traditional means of voting rights education. Private funds were raised to pay for many of the activities associated with “Celebrate Voting.”

Celebrate Voting was a joint initiative of Iowa Secretary of State’s office, Iowa State Historical Foundation, Iowa Department of Human Rights, Iowa Civil Rights Commission, NAACP, Carrie Chapman Catt Center for Women and Politics, ID Action and League of Women Voters of Iowa. It was promoted as an Iowa celebration of voting heritage and voting rights. A copy of the Memorandum of Understanding was signed by participating organizations. (NFR #7 – Attachment A)

The program was designed to educate and engage Iowans about our voting rights – past, present, and future. Events were held statewide from August to November 2005 and focused on the 40th anniversary of the Voting Rights Act, the 85th Anniversary of the 19th Amendment (women's right to vote), 15th Anniversary of the Americans with Disabilities Act, and the current implementation of the Help America Vote Act (HAVA). A summary of all events and activities is attached. (NFR #7 – Attachment B)

In addition to a number of public events, we also held events at the three state universities to engage voters in the process. All events provided education on voting rights and the implementation of HAVA in Iowa – this was done through oral presentations and printed materials (NFR #7 – Attachment C). Voter registration was also conducted at all events.

Letters of support from four individuals involved in the planning of one or more of the Celebrate Voting events are attached. (NFR #7 – Attachment D)

While the Iowa Secretary of State’s office strongly supports the method in which training and education was provided at Celebrate Voting events, it has outlined a list of expenses that using more recent guidance from the EAC, may not be eligible for the use of HAVA funds. While, the Iowa Secretary of State’s office disagrees with the interpretation that entertainment and student events are not allowable expenses, in an effort to resolve this matter the office has submitted the list of expenses that it agrees under the after-the-fact guidance from the EAC would be unallowable. These items include musical performers, gala expenses, and the essay contest for middle and high school students (NFR #7– Attachment E)

ATTACHMENTS:

NFR #7 Attachment A – Memorandum of Understanding

NFR #7 Attachment B – Summary of Celebrate Voting Events

NFR #7 Attachment C – Sample of printed materials on HAVA and Voting Rights

NFR #7 Attachment D – Letters of Support
NFR #7 Attachment E – Expenses

Report Finding VII

NFR #8

CONDITION:

In its Fiscal Year 2007 single audit report, the Office of the State Auditor questioned \$14,000 paid to a communications company because the 30-second spot purchased by the Office of the Secretary of State (SOS) did not contain any voter education. In addition to this, we found that the SOS paid \$9,269 for highlighters and refrigerator magnets with the message "HAVA Helping Iowans Make Their Mark." The highlighters and magnets included a website, www.IowaVotes.us, but it did not contain any educational materials for voters.

The single audit report contained the following:

Unallowable Expenditures - Section 101 of the Help America Vote Act (HAVA) of 2002 states funds may be used for educating voters concerning voting procedures, voting rights and voting technology. A frequently asked question (FAQ) on the website of the U.S. Election Assistance Commission (EAC) states costs and activities related to "get out the vote" or to encourage voting do not meet the requirement of education. During our testing of the Office of Secretary of State, an expenditure totaling \$14,000 for a radio campaign urging voters to get out and vote was identified as unallowable or not meeting the requirement for education.

Recommendation - The Office of Secretary of State should review the questioned cost and work with the US. Election Assistance Commission to resolve this matter.

CORRECTIVE ACTION RECOMMENDED:

We recommend that the SOS work with the EAC to resolve the \$23,269 (\$14,000 plus \$9,269) in questioned costs.

RESPONSE:

We respectfully disagree that the highlighters did not contain any educational materials for voters. The highlighters and magnets clear purpose was to drive Iowans to the website www.IowaVotes.us. This site contained valuable educational information for voters. From 1998 to 2006, the Office of the Secretary of State saw a dramatic change in how Iowans received information. In 1998, phone calls were the common method for obtaining information; by 2006 the internet was the primary means. Providing voters with the website to access voter information is the equivalent of providing such information. Today it is common place for government agencies not to print important reports and documents, and instead make them available to the public via the internet. We have attached the front page of www.IowaVotes.us website (See NFR #8 Attachment A).

Additionally, the advertisement ended with the important statement of "For more information on voting in Iowa visit iowa.votes.us, your rights, your responsibilities" (See

NFR #8 Attachment B). As noted above, the website included voting information. The advertisements were aired from 9/25/2006 through 10/26/2006. With the dates of airing for the advertisement, it is difficult to maintain such advertisements were meant to get out the vote, instead the advertisements purpose was to remind individuals how to obtain more information on voting. An advertisement meant to get out the vote likely would have aired from through Election Day, these advertisements stopped eleven days before Election Day (See NFR #8 Attachment C).

ATTACHMENT:

NFR #8 Attachment A – Printout of the front page and links from [www. IowaVotes.us](http://www.IowaVotes.us)

NFR #8 Attachment B – Transcript of Radio Spot

NFR #8 Attachment C – Invoice from Learfield News indicating broadcast times of advertisements

Report Finding VIII

NFR #9

CONDITION:

The Office of the Secretary of State (SOS) did not complete periodic certifications for employees that worked full-time or solely on HAVA activities. Although the employees themselves and their supervisors signed bi-weekly time sheets documenting hours worked, they contained no description of what work the employees performed. Each time sheet indicated the number of hours worked, overtime hours, leave taken, and holidays, but they did not indicate that any of the work was for HAVA-related activities. We asked for position descriptions of the employees and based on our review, determined that they were assigned to HAVA-related activities, but the SOS had no after-the-fact certifications that they actually worked on the related activities.

CORRECTIVE ACTION RECOMMENDED:

We recommend that the Iowa Secretary of State either return the questioned costs of \$885,573 or resolve with the EAC the appropriate corrective action regarding the lack of periodic certification.

RESPONSE:

We are confident the employee allocations are accurate, and if anything the Office of the Secretary of State undercharged salaries and benefits to HAVA. In the future, the Office of the Secretary of State will ensure that a certification is completed. The Office of the Secretary of State is obtaining additional information from the supervisor and employees that will be submitted to the auditor. The supervisor periodically reviewed assignments of each employee to ensure the allocations were accurate. Additionally, in multiple cases the Office only charged a portion of employees' salaries and benefits even though their responsibilities were entirely HAVA related.

If state funds were available to pay for the salary, or a portion of the salary and benefits, state funds were used to preserve HAVA funds.

ATTACHMENT:

NFR #9 Attachment A – Excel File of Employees with Job Descriptions

Report Finding IX

NFR 10:

CONDITION:

Scott County entered into a lease agreement that resulted in the use of \$21,000 of HAVA funds that enabled the Office of the Secretary of State (SOS) and Scott County (County) to meet a deadline of January 1, 2006 for having a HAVA compliant voting system in place. However, the county did not receive any tangible benefit from the payment related to obtaining new voting systems, implementing provisional voting or a statewide voter registration system, or improving the administration of elections.

The SOS used HAVA funds for the \$21,000 nonrefundable portion of a lease payment that the County made to a voting machine vendor. The lease required the vendor to provide voting machines for any County elections during the period from December 15, 2005 to March 1, 2006 or until an agreement to purchase voting machines from it was reached. Scott County paid the vendor \$115,500, which included the \$21,000, for the lease of voting machines, but the vendor did not deliver any voting machines to the County. Moreover, the County did not have a need for any voting machines during this brief period because no elections were held. In February 2006, the County agreed to purchase voting machines from the vendor. In return, the vendor applied all but \$21,000 of the lease payment (\$94,500 of the \$115,500) to the purchase.

The SOS required Scott County to have a certified voting system in place by January 1, 2006. Scott County was waiting for the manufacturer of its voting machines to obtain certification of their machines so that it could modify the ones it owned for a modest amount and not have to incur the much higher cost of purchasing new voting machines. When it became apparent that the machines it owned could not get certified by the January 1 deadline, the County entered into a lease agreement with another vendor.

Scott County subsequently contracted to purchase voting systems from the new vendor (also the lessor) and the lease agreement was cancelled in February 2006. The County had made one payment of \$115,500 to the lessor by that time. The vendor had not provided the County with any equipment or services during the period of the lease. The first election held for federal office in Scott County, the State primary election for the November 2006 general election, took place in June 2006.

In order to obtain funding for the voting equipment lease and the purchase of new voting systems, the County obtained several grants from the SOS. One grant was for \$115,500 and cited the County's lease of voting equipment. Other grants were for the purchase of voting systems. The SOS used HAVA Section 251 funds for all of the grants. When we discussed this lease with a representative of the vendor, she stated that a similar lease and purchase arrangement existed in Chickasaw County, Iowa.

CORRECTIVE ACTION RECOMMENDED:

We recommend that the Secretary of State:

1. Return \$21,000 of questioned costs to the State's election (HAVA) fund.

2. Determine if a similar lease agreement was entered into by Chickasaw County and the SOS used HAVA funds to reimburse Chickasaw County for the promise of the availability of certified voting equipment for a very short period of time. If the conditions in Chickasaw County were similar to Scott County, the SOS should return any HAVA funds claimed for the lease of voting machines in Chickasaw County to the State's election fund.

RESPONSE:

HAVA Section 301(d) which relates to the effective date of the voting system requirements reads: "Each State and jurisdiction shall be required to comply with the requirements of this section on and after January 1, 2006." While the first regularly scheduled federal election was the June 2006 Primary Election, state law allows the Governor to set the date of the election anytime 40 days after receipt of the notice of vacancy. While it was not anticipated a vacancy would occur, seldom, if ever, is a vacancy in Congress anticipated. Scott and Chickasaw County wanted to wait for the purchase of a Sequoia voting system which had not been certified under state standards. Consulting with the state certified voting machine vendors, the vendors advised the state they could not supply Scott and Chickasaw counties with voting systems within a short period of time should a special election arise. As was the case across the country, voting systems were a scarce resource and largely unavailable. The counties were able to secure a short term lease agreement from their second choice vendor to guarantee the availability of voting systems should a special election arise. A substantial portion of the lease cost was credited toward the purchase of a voting system.

The counties chose to negotiate a short term lease, or essentially insurance, to be charged against their portion of voting equipment funds, in order to extend their time to make a purchasing decision. We believe there was derived benefit in that counties were guaranteed the availability of equipment should a Federal election arise during that time period. Had such an agreement not been made and a vacancy had occurred, the state would have been out of compliance with Section 301 with no way to remedy the situation. A sanction would have the effect of penalizing the State for meeting the requirements of Section 301.

If the EAC determines this is not an allowable expense, the Office of the Secretary of State will work with Scott and Chickasaw counties to determine if they incurred additional related expenditures equal to or greater than the amount in question and if not, to require the counties to expend amounts equal to the amounts on HAVA related purposes.

ATTACHMENT:

NFR #10 Attachment A – Iowa Code Section 69.14

Report Finding X

NFR #11

CONDITION:

Expenditures totaling \$3,094,909 were included in both HAVA Section 101 and 251 Financial Status Reports (SF-269s) filed with the EAC during 2004 through 2006 and a \$5,000 expense was included twice on the Section 251 SF-269 filed for fiscal year 2005. While determining why the duplicate expenditures were reported, staff of the Office of the Secretary of State (SOS) found that \$3,094,662 in additional HAVA expenses had been incurred but omitted from the SF-269s during the same reporting periods.

When staff analyzed the \$3,094,909 in expenditures that were included in both Section 101 and 251 SF-269s they found that \$2,688,454 should have been reported as Section 251 expenses and \$406,455 should have been reported as Section 101 expenses. Similarly, when they analyzed the unreported HAVA expenses, they determined that \$2,991,107 should be reported as Section 251 expenses and \$103,555 were Section 101 expenses. Revisions to the SF-269s are needed to reflect the correct distribution of expenditures.

The last SF-269 filed with the EAC for Section 101 funds was for 2006, because the SOS reported that all Section 101 funds had been expended. The revisions will result in a balance of unexpended Section 101 funds, which will require the SOS to file Section 101 SF-269s for 2007 and beyond.

CORRECTIVE ACTION RECOMMENDED:

We recommend that the Iowa Secretary of State:

1. Improve internal controls over the accounting and reporting of HAVA financial activities to the EAC. For example, all SF-269s should be reviewed and signed indicating concurrence with the data by an SOS official other than the preparer. Excel spreadsheets of HAVA expenditures should also be updated and reconciled to the official accounting system of the State at least monthly.
2. Revise the SF-269s and supporting lists of detailed expenditures for HAVA Sections 101 and 251 to accurately report HAVA expenditures as identified above and as reviewed and approved by an official of the SOS other than the preparer.
3. Submit the revised SF-269s and detailed expenditure listings to the EAC.

RESPONSE:

The Office of the Secretary of State is correcting the SF-269s and implemented the recommended procedures.

AUDIT METHODOLOGY

Our audit methodology included:

- Assessing audit risk and significance within the context of the audit objectives.
- Obtaining an understanding of internal control that is significant to the administration of the HAVA funds.
- Understanding relevant information systems controls as applicable.
- Identifying sources of evidence and the amount and type of evidence required.
- Determining whether other auditors have conducted, or are conducting, audits of the program that could be relevant to the audit objectives.

To implement our audit methodology, below are some of the audit procedures we performed:

- Interviewed appropriate SOS employees about the organization and operations of the HAVA program.
- Reviewed prior single audit report and other reviews related to the state's financial management systems and the HAVA program for the last 2 years.
- Reviewed policies, procedures and regulations for the SOS's management and accounting systems as they relate to the administration of HAVA programs.
- Analyzed the inventory lists of equipment purchased with HAVA funds.
- Tested major purchases and supporting documentation.
- Tested randomly sampled payments made with the HAVA funds.
- Verified support for reimbursements to local governments (counties, cities, and municipalities).
- Reviewed certain state laws that impacted the election fund.
- Examined appropriations and expenditure reports for state funds used to meet the five percent matching requirement for section 251 requirements payments.
- Reviewed/examined information regarding source/supporting documents kept for MOE and matching contributions.
- Evaluated compliance with the requirements for accumulating financial information reported to the Commission on the Financial Status Reports, Form SF-269, accounting for property, purchasing HAVA related goods and services, and accounting for salaries.

- Verified the establishment and maintenance of an election fund.
- Verified whether the state has sustained the state's level of expenditures for Elections.
- Conducted site visits of selected counties to perform the following:
 - Observe equipment purchased with HAVA funds for proper accounting and safeguarding
 - Test disbursement of HAVA funds for allowability and compliance
 - Test cash receipts from SOS to ensure proper cash management
 - Test procurement of voting equipment for competitive bid process
 - Ensure compliance with HAVA Act.

MONETARY IMPACT AS OF APRIL 30, 2008

| <i>Description</i> | <i>Questioned Costs</i> | <i>Additional Funds for Program</i> |
|--|-----------------------------|---|
| Interest on matching funds | \$0 | \$11,741 |
| State matching shortfall | 0 | 441 |
| Capital Improvements | 369,740 | 0 |
| Procurements (net of "Celebrate Voting") | 1,146,737 | 0 |
| "Celebrate Voting" | 118,224 | 0 |
| Communication expense | 14,000 | 0 |
| Personnel costs | 885,573 | 0 |
| Equipment lease | 21,000 | 0 |
| Totals | <u>\$2,555,274</u> | <u>\$12,182</u> |

Note: There is an undetermined amount of interest earnings due from counties that received funds in advance, which will increase the revenue totals above.

OIG's Mission

The OIG audit mission is to provide timely, high-quality professional products and services that are useful to OIG's clients. OIG seeks to provide value through its work, which is designed to enhance the economy, efficiency, and effectiveness in EAC operations so they work better and cost less in the context of today's declining resources. OIG also seeks to detect and prevent fraud, waste, abuse, and mismanagement in these programs and operations. Products and services include traditional financial and performance audits, contract and grant audits, information systems audits, and evaluations.

Obtaining Copies of OIG Reports

Copies of OIG reports can be requested by e-mail.
(eacoig@eac.gov).

Mail orders should be sent to:

U.S. Election Assistance Commission
Office of Inspector General
1225 New York Ave. NW - Suite 1100
Washington, DC 20005

To order by phone: Voice: (202) 566-3100
Fax: (202) 566-0957

To Report Fraud, Waste and Abuse Involving the U.S. Election Assistance Commission or Help America Vote Act Funds

By Mail: U.S. Election Assistance Commission
Office of Inspector General
1225 New York Ave. NW - Suite 1100
Washington, DC 20005

E-mail: eacoig@eac.gov

OIG Hotline: 866-552-0004 (toll free)

FAX: 202-566-0957

