

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

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NEWS RELEASE

FOR RELEASE

March 12, 2015

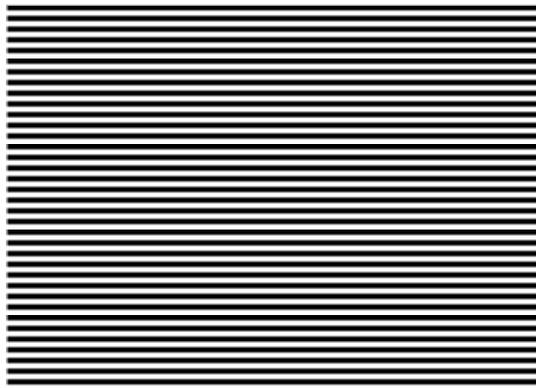
Contact: Andy Nielsen
515/281-5834

The Office of Auditor of State today released a report on the Office of Secretary of State for the year ended June 30, 2013.

The Secretary of State is the State Elections Commissioner, directs the State Land Office and commissions Iowa notaries public. In addition, the Office of Secretary of State receives and processes various reports and the related fees required of corporations, borrowers and lenders.

A copy of the report is available for review in the Office of Secretary of State, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1460-6350-0R00.pdf>.

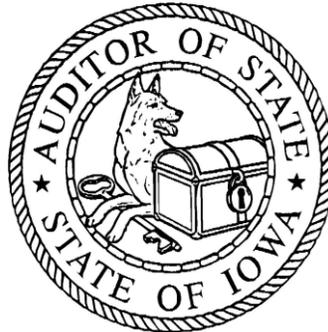
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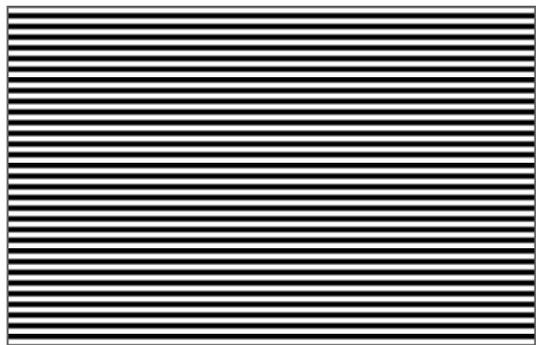
**REPORT OF RECOMMENDATIONS TO THE
OFFICE OF SECRETARY OF STATE**

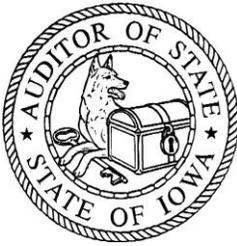
JUNE 30, 2013

Office of
**AUDITOR
OF STATE**
State Capitol Building • Des Moines, Iowa



Mary Mosiman, CPA
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STATE OF IOWA

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Mary Mosiman, CPA
Auditor of State

March 6, 2015

To the Office of
Secretary of State:

The Office of Secretary of State is a part of the State of Iowa and, as such, has been included in our audits of the State's Comprehensive Annual Financial Report (CAFR) and the State's Single Audit Report for the year ended June 30, 2013.

In conducting our audits, we became aware of certain aspects concerning the Office's operations for which we believe corrective action is necessary. As a result, we have developed recommendations which are reported on the following pages. We believe you should be aware of these recommendations, which include the recommendation reported in the State's Single Audit Report as well as others pertaining to the Office's internal control. These recommendations have been discussed with Office personnel and their responses to these recommendations are included in this report. While we have expressed our conclusions on the Office's responses, we did not audit the Office of Secretary of State's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials and employees of the Office of Secretary of State, citizens of the State of Iowa and other parties to whom the Office of Secretary of State may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Office during the course of our audits. Should you have any questions concerning the above matters, we shall be pleased to discuss them with you at your convenience. Individuals who participated in our audits of the Office of Secretary of State are listed on page 8 and they are available to discuss these matters with you.


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

cc: Honorable Terry E. Branstad, Governor
David Roederer, Director, Department of Management
Glen P. Dickinson, Director, Legislative Services Agency

Office of Secretary of State

Report of Recommendations to the Office of Secretary of State

Schedule of Findings

June 30, 2013

Finding Reported in the State's Single Audit Report:

CFDA Number: 39.011 – Election Reform Payments

Agency Number: None

Federal Award Year: 2013

State of Iowa Single Audit Report Comment: I3-III-GSA-635-1

Help America Vote Act (HAVA) – In June 2012, the Secretary of State entered into an agreement with the Iowa Department of Public Safety pursuant to various chapters of the Code of Iowa, including Chapter 47, for personnel costs to investigate complaints and potential criminal activity in the areas of voting, voter registration, election misconduct and election administration. Chapter 47.1 of the Code of Iowa establishes the Secretary of State as the official responsible to supervise elections. The duration of the agreement is for two years at an annual amount not to exceed \$140,000. The agreement does not indicate it will be funded by HAVA.

As of June 30, 2013, the Secretary of State has expended \$100,481 of HAVA funding under this agreement to “improve the administration of elections.”

Section 101 of Title I of the Help America Vote Act (Act) provides payments to states for activities to improve the administration of elections. Allowable activities under section 101 of the Act include educating voters, training election officials, developing state plans, improving and acquiring voting systems, improving accessibility to polling places, establishing toll-free telephone hotlines for reporting possible voting fraud and voting rights violations and for improving the administration of elections for federal office. However, the Act does not further define “administration of elections”. Section 101 of the Act does not specifically address whether the investigation of complaints and potential criminal activity is an allowable expenditure under HAVA.

On April 19, 2013, the Inspector General of the U.S. Election Assistance Commission requested the Commission answer the following question: “Are the services being provided by the Iowa Department of Public Safety to the Iowa Secretary of State allowable charges to HAVA funds provided to the State of Iowa by the Election Assistance Commission?”.

Recommendation – Because the Commission has not yet responded to the Inspector General’s question, the Office of Secretary of State should develop a plan to repay HAVA funds should the Commission not allow this activity and request repayment.

Response – The Iowa Secretary of State’s office will comply with any directives from the U.S. Election Assistance Commission.

Conclusion – Response acknowledged.

Findings Reported in the State's Report on Internal Control:

No matters were noted.

Report of Recommendations to the Office of Secretary of State

Schedule of Findings

June 30, 2013

Other Findings Related to Internal Control:

- (1) Employee Timesheets - Our review of internal control over payroll and employee timesheets noted not all employees were required to submit timesheets. Also, approved vacation requests were returned to employees to be attached to their timesheet, which may result in vacation not recorded because a request may be lost or forgotten. In addition, certain employees were not required to submit vacation requests for supervisory approval.

Recommendation - All employees should submit a bi-weekly timesheet for supervisory review and approval. Also, all employees should complete vacation requests and approved vacation requests should be submitted directly to the payroll department to ensure all vacation hours are recorded in the payroll system. Missing vacation requests should be pursued by payroll staff.

Response - In the previous administrations of Culver and Mauro, deputies were not required to keep timesheets. Secretary Schultz continued this practice through May 2013.

The Office was notified in October 2014 the recommendation regarding leave slips would be included in the special audit schedule of findings. This information has been provided to Secretary-Elect Pate for his consideration to continue in the future.

Conclusion - Response acknowledged. The Office should require timesheets be prepared by all employees and be approved by their supervisor prior to preparation of the payroll. This would provide additional safeguards to help ensure payroll is processed and paid correctly. Also, the Office should ensure adequate reviews are performed and documented to provide additional control over payroll. In addition, Office staff involved in the payroll process should be instructed to inquire about instances they believe paid time off should have been reported but was not in order to resolve any issues in a timely manner.

- (2) Notice of Termination - The Office of Auditor of State conducted a review related to terminations in the Secretary of State's Office. In accordance with the American Federation of State, County and Municipal Employees (AFSCME) contract, covered employees are required to be provided a 20 working day notice of a layoff or termination. Three covered employees were given 22 day notices and were not required to report to the office or perform other duties during those 22 days.

Also, at-will employees are not covered by the AFSCME contract and are not required to receive notification of termination or layoff. Prior to a reorganization of the Office, an at-will employee resigned in 2011 and gave a 30 day written notice of resignation. Another at-will employee resigned in early 2012 and gave a 60 day written notice. According to Office staff, both employees were told they were not required to report to the Office but were to be available by phone for questions. A third employee was given notice on May 24, 2012 their position was being eliminated, effective December 31, 2012. Little evidence exists of work performed from May 24, 2012 through December 31, 2012.

Report of Recommendations to the Office of Secretary of State

Schedule of Findings

June 30, 2013

Recommendation - The Office should ensure the public benefit of retaining employees for a longer period of time than required under the AFSCME contract, merit employment rules and normal practice for at-will employees is documented and the work performed is necessary and reasonable for the operations of the Office.

Response - We are not aware of a strict definition of “public benefit” in the Iowa Code. It has historically been determined by the elected official in charge.

Dealing with terminations and severances prior to January 1, 2013 the Office sought guidance from DAS-HRE. Terminations and severances prior to January 1, 2013 ultimately resulted in over \$250,000 being returned to the General Fund.

This information has been provided to Secretary-Elect Pate for his consideration to continue in the future.

Conclusion - Response acknowledged. The public benefit should be documented. Additional savings could have been achieved had employees not been paid for longer periods of time than required.

Findings Related to Statutory Requirements and Other Matters:

No matters were noted.

Report of Recommendations to the Office of Secretary of State

June 30, 2013

Staff:

Questions or requests for further assistance should be directed to:

Ernest H. Ruben, Jr., CPA, Manager
Todd E. Pudenz, CPA, Staff Auditor
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated in the audits include:

Megan E. Irvin, Assistant Auditor
Benjamin R. Salow, Assistant Auditor