



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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NEWS RELEASE

FOR RELEASE

August 13, 2007

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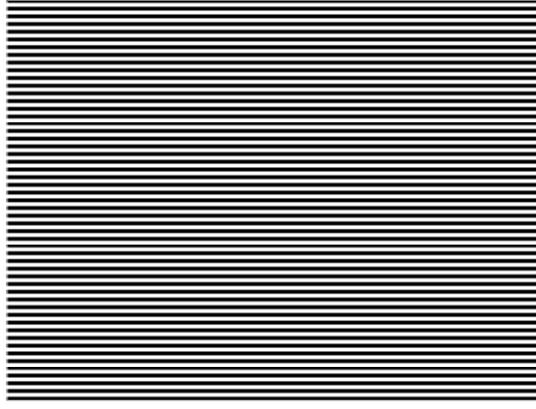
Auditor of State David A. Vaudt today released a report on the Office of Secretary of State for the year ended June 30, 2006.

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.

Vaudt recommended the Secretary of State improve controls over federal expenditures.

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/reports.htm>.

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

JUNE 30, 2006

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



David A. Vaudt, CPA
Auditor of State





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August 8, 2007

To the Honorable Michael A. Mauro,
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 audit of the State's Comprehensive Annual Financial Report (CAFR) and the State's Single Audit Report for the year ended June 30, 2006.

In conducting our audits, we became aware of certain aspects concerning the Office of Secretary of State'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 those reported in the State's Single Audit Report and compliance with statutory requirements and other matters. These recommendations have been discussed with Office personnel and their responses to these recommendations are included in this report.

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 any of 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 10 and they are available to discuss these matters with you.

DAVID A. VAUDT, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

cc: Honorable Chester J. Culver, Governor
Charles J. Krogmeier, Director, Department of Management
Dennis C. Prouty, Director, Legislative Services Agency

Office of Secretary of State

June 30, 2006

Findings Reported in the State's Single Audit Report:

CFDA Number: 90.401 – Help America Vote Act Requirements Payments

Agency Number: None

Federal Award Year: 2003, 2004

State of Iowa Single Audit Report Comment 06-III-EAC-635-1

- (1) Unallowable Expenditures – Celebrate Voting was held in Des Moines, Iowa during the year ended June 30, 2006. Celebrate Voting was an Iowa celebration of voting heritage and voting rights. This celebration was an initiative to celebrate the 40th anniversary of the Voting Rights Act, the 85th anniversary of the 19th Amendment for women's rights and the current implantation of the Help America Vote Act (HAVA) of 2002. The kickoff event included a lunch hour featuring entertainment from local celebrities, including singers and dancers. An evening gala was held to honor Iowans who made contributions to the struggle for voting rights. This gala featured an internationally renowned opera star as entertainment. The next day's celebration related to the history and evolution of voting rights. Activities featured a keynote speaker, voting rights panel for adults and several activities for children.

Section 101 of HAVA states that funds may be used for educating voters concerning voting procedures, voting rights and voting technology. A frequently asked question (FAQ) on the web site of the U.S. Election Assistance Commission (EAC) states that costs and activities related to "get out the vote" or to encourage voting do not meet the requirement of education. Another FAQ also stated that funds must be expended to educate "voters" or groups of people who meet the state's voting requirement and not the young, who are not eligible to vote.

During our testing at the Office of Secretary of State, the following types of expenditures were identified as unallowable or not meeting the requirement for education:

- Speakers - \$28,050
- Performers - \$ 25,383
- Supplies - \$2,182
- Children's activities - \$2,095
- Travel costs related to the speakers and performers - \$3,528

Due to the items noted above, costs of \$61,238 are questioned.

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

Response and Corrective Action Planned – The current administration of the Office of Secretary of State will review the questioned costs and work with the EAC to correct.

Conclusion – Response accepted.

Report of Recommendations to the Office of Secretary of State

Schedule of Findings

June 30, 2006

CFDA Number: 90.401 – Help America Vote Act Requirements Payments

Agency Number: None

Federal Award Year: 2003, 2004

State of Iowa Single Audit Report Comment 06-III-EAC-635-2

- (2) Questioned Costs – 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 entered into several more 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, including \$61,238 of unallowable costs noted in finding 06-III-EAC-635-1.

In addition to the contract mentioned in the preceding paragraph, SOS entered into other contracts 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. Chapter 8A of the Code of Iowa and the Iowa Administrative Code for the Iowa Department of Administrative Services, Chapter 105.2(8A) exempt the SOS as an elective office from following the State's procurement guidelines.

SOS maintained documentation as to the reasons it desired to use the contractor, but did not maintain documentation the contractor was the only qualified contractor. In addition, documentation was not available to determine whether procedures were performed to determine whether other possible contractors existed or were considered. 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.

Recommendation – The Office should ensure it is getting the best value for the goods and services obtained. The Office should also resolve the questioned costs with the U.S. Election Assistance Commission.

Response and Corrective Action Planned – The current administration of the Office of Secretary of State shall follow the Auditor's recommendation.

Conclusion – Response accepted.

CFDA Number: 90.401 – Help America Vote Act Requirements Payments

Agency Number: None

Federal Award Year: 2003, 2004

State of Iowa Single Audit Report Comment 06-III-EAC-635-3

- (3) Subrecipient Monitoring – OMB Circular A-133 requires a pass-through entity to be responsible for monitoring the activities of its subrecipients, as necessary, to ensure federal awards are used for authorized purposes and in compliance with laws, regulations and provisions of the contract grant.

Report of Recommendations to the Office of Secretary of State

June 30, 2006

The Office's policies and procedures are not documented.

The Office requires County governments to submit actual invoices and proof of delivery for the voting equipment when received. The Office is to review the invoices and proof of delivery information and compare to amounts previously paid to the Counties. No reviews were completed during the fiscal year, nor were reviews performed to determine if all information was received.

Recommendation – The Office should establish and implement written policies and procedures regarding subrecipient monitoring and should review the invoices and proof of delivery information submitted by the subrecipients in a timely manner.

Response and Corrective Action Planned – The current administration for the Department shall establish written policies and procedures regarding subrecipient monitoring and shall review all currently received documentation from the subrecipients by April 30, 2007. The Department shall begin to seek additional/missing information from subrecipients no later than April 30, 2007.

Conclusion – Response accepted.

CFDA Number: 90.401 – Help America Vote Act Requirements Payments

Agency Number: None

Federal Award Year: 2003, 2004

State of Iowa Single Audit Report Comment 06-III-EAC-635-4

- (4) Matching – Help America Vote Act of 2002, Section 253 (b)(5), requires states to have "...appropriated funds for carrying out the activities for which the requirements payment is made in the amount equal to 5 percent of the total amount to be spent for such activities (taking into account the requirements payment and the amount spent by the state)". To be eligible to receive funding, the State is to certify it has appropriated the required amount of funds as match.

The Office calculated its matching requirement by applying the 5 percent to only the Federal award and not to the total amount to be spent. This resulted in the Office obtaining approximately \$61,000 less in appropriations than the required match.

Recommendation – The Office should seek additional appropriations in order to comply with the matching requirement.

Response and Corrective Action Planned – The current administration for the Office shall begin the process of seeking additional appropriation to use as match.

Conclusion – Response accepted.

Report of Recommendations to the Office of Secretary of State

Schedule of Findings

June 30, 2006

CFDA Number: 90.401 – Help America Vote Act Requirements Payments

Agency Number: None

Federal Award Year: 2003, 2004

State of Iowa Single Audit Report Comment 06-III-EAC-635-5

- (5) Subrecipient Payments – The Iowa Secretary of State’s office reimburses county subrecipients for the purchase of voting equipment. Eight of twenty-one county warrants written appear to have been held for over two weeks before being sent to the County.

Recommendation – Warrants should be sent to the payee in a timely manner.

Response and Corrective Action Planned - The current administration for the Office shall strive to distribute all warrants in a timely manner.

Conclusion – Response accepted.

CFDA Number: 90.401 – Help America Vote Act Requirements Payments

Agency Number: None

Federal Award Year: 2003, 2004

State of Iowa Single Audit Report Comment 06-III-EAC-635-6

- (6) Allowable Cost and Cost Principles – The State of Iowa, Help America Vote Act, State Plan, adopted July 17, 2003 outlines the process for subrecipients to obtain at least partial reimbursement for voting equipment purchases. Section 2 of the State Plan states, in part “...upon receipt of the notification, the county may then make the purchase, submit a copy of the contract and/or invoice for the equipment to the Chief State Election Official for prompt distribution of the HAVA portion to the County...”.

The Office paid counties based on an equipment purchase proposal rather than an actual contract and/or invoice.

Recommendation – The Office should develop procedures to ensure all payments are made based on an actual contract and/or invoice.

Response and Corrective Action Planned – The current administration for the Office shall establish and implement procedures ensuring all payments are based on actual contracts and/or invoices by April 30, 2007. The Office shall begin to seek additional information/documentation or reimbursement of funds, if applicable, by April 30, 2007.

Conclusion – Response accepted.

Report of Recommendations to the Office of Secretary of State

June 30, 2006

Finding Related to Internal Control:

No matters were noted.

Finding Related to Statutory and Other Matters:

Unclaimed Property – Chapter 556.11 of the Code of Iowa requires each state agency to report and remit obligations, including checks, outstanding for more than two years to the Treasurer of State annually. The Office of Secretary of State did not remit these obligations as required.

Recommendation – The outstanding checks should be reviewed annually and items over two years old should be remitted to the Treasurer of State as required by the Code of Iowa.

Response – The Office of Secretary of State will review outstanding checks and submit any unclaimed monies to the Treasurer of State.

Conclusion – Response accepted.

Report of Recommendations to the Office of Secretary of State

Schedule of Findings

June 30, 2006

Staff:

Questions or requests for further assistance should be directed to:

Pamela J. Bormann, CPA, Manager
Donald J. Lewis, CPA, Staff Auditor
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on the audits include:

Gelu Sherpa, Assistant Auditor
Sharon K. Stickrod, Assistant Auditor