



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

July 16, 2008

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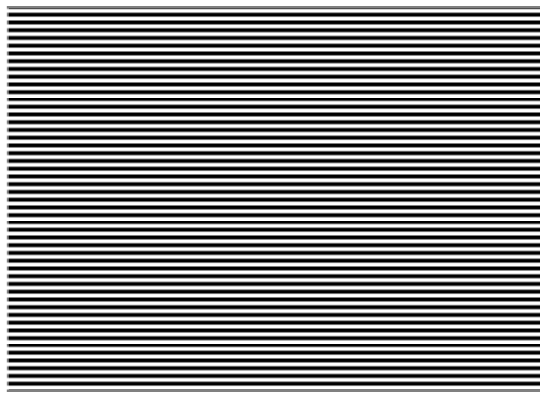
Auditor of State David A. Vaudt today released a report on the Office of Secretary of State for the year ended June 30, 2007.

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, 2007

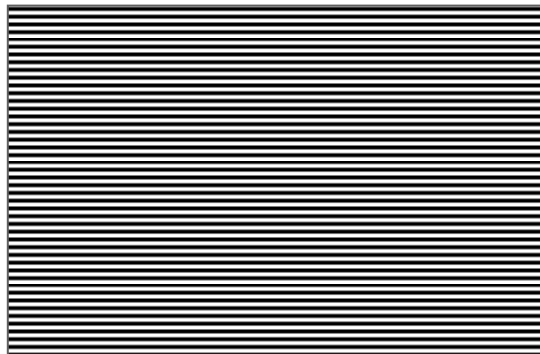
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July 10, 2008

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 audits of the State's Comprehensive Annual Financial Report (CAFR) and the State's Single Audit Report for the year ended June 30, 2007.

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 these 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, as well as other recommendations pertaining to the Office's internal control 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 8 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
Timothy C. Faller, Interim Director, Legislative Services Agency

Office of Secretary of State

Report of Recommendations to the Office of Secretary of State

Schedule of Findings

June 30, 2007

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: 07-III-EAC-635-1

- (1) 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 web site 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.

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

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: 07-III-EAC-635-2

- (2) Monitoring of Subrecipient Audit Reports – OMB Circular A-133 requires the Office of Secretary of State to ensure required audit reports of subrecipients expending \$500,000 or more in federal awards are completed within nine months of the subrecipient's fiscal year end, issue a management decision on audit findings within six months of the receipt of the subrecipient's audit report and ensure the subrecipient take timely and appropriate corrective action.

The Office of Secretary of State has not established policies to perform timely review of subrecipient audit reports and the Office did not review any audit reports during the year.

Recommendation – The Office of Secretary of State should establish and implement written policies and procedures to ensure subrecipient audit reports are received and reviewed in a timely manner including appropriate follow-up.

Response and Corrective Action Planned – The current administration of the Office of Secretary of State will establish and implement written policies and procedures regarding subrecipient audit reports ensuring audit reports are reviewed in a timely manner and appropriate follow-up is performed.

Conclusion – Response accepted.

Report of Recommendations to the Office of Secretary of State

Schedule of Findings

June 30, 2007

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: 07-III-EAC-635-3

- (3) 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...”.

In four instances, the Office paid counties based on equipment purchase proposals rather than actual contracts and/or invoices.

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 of the Office of Secretary of State has developed procedures to ensure all payments are made based on an actual invoice. The Office will follow these procedures on all current and future payments to subrecipients.

Conclusion – Response accepted.

Finding 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, 2007

Other Finding Related to Internal Control:

Financial Reporting – The Office of Secretary of State records receipts and disbursements on the Integrated Information for Iowa (I/3) system throughout the year, including the accrual period. Activity not recorded on the I/3 system is reported to the Iowa Department of Administrative Services – State Accounting Enterprise (DAS – SAE) on a GAAP Package.

Receipts and expenditures occurring near the end of the fiscal year should be reviewed and recorded on I/3 as an accrual or coded to the following fiscal year.

The Office of Secretary of State coded receipts of \$128,373 relating to charged fees earned during June 2007 as fiscal year 2008 revenues.

Recommendation – The Office of Secretary of State should develop procedures to ensure receipts and expenditures occurring near the end of the fiscal year are reviewed and properly recorded on I/3.

Response – The Office of Secretary of State has drafted procedures to ensure receipts and expenditures occurring near the end of the fiscal year will be reviewed and properly recorded in I/3.

Conclusion – Response accepted.

Finding Related to Statutory Requirements 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 all outstanding checks and send items over two years old to the Treasurer of State by December 31, 2008.

Conclusion – Response accepted.

Report of Recommendations to the Office of Secretary of State

June 30, 2007

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:

Keith C. Kistenmacher, Assistant Auditor