



**DEBRA BOWEN** | SECRETARY OF STATE | STATE OF CALIFORNIA  
1500 11th Street, 6th floor | Sacramento, CA 95814 | Tel (916) 653-7244 | Fax (916) 653-4620 | www.sos.ca.gov

February 14, 2008

Mr. Michael Genest  
Finance Director  
Department of Finance  
915 L Street  
Sacramento, CA 95814

Dear Mr. Genest:

Pursuant to the Budget Act of 2007, Item 0890-001-0890, Provision 3, the Secretary of State (SOS) is submitting this quarterly report to provide the status of the implementation of the Help America Vote Act (HAVA).

In the second quarter, SOS activity continued in three areas: 1) Reimbursement to counties under HAVA Sections 301, 303, and 261 contracts; 2) Planning and procurement efforts related to the HAVA 303 requirements to create a statewide voter registration database; and 3) Meeting administrative requirements for the HAVA program.

County Reimbursements: The original contracts with counties that allowed for the purchase of new voting equipment, the planning and implementation of voter education and poll worker training programs, and the for activities and equipment to improve accessibility to the election process expired on June 30, 2007, but contained provisions for claims to be processed and paid by December 31, 2007. HAVA and accounting staff continued to process the last of those claims. Funds not used by a county during the first contract were reallocated and made available in a new contract for that county to be used for the same purposes and to cover the period from October 15, 2007 to December 31, 2010.

In anticipation of the unique 2008 election cycle – with an early stand-alone Presidential Primary and two regularly scheduled, statewide elections – counties are assessing needs and preparing for the election using lessons learned in the 2006 election cycle to improve the election process.

Statewide Voter Registration Database (VoteCal): The Secretary of State is continuing the procurement process for the statewide voter registration database (VoteCal) project, which is required pursuant to the November 2, 2005 MOA executed with US DOJ and HAVA Section 303.

Pursuant to an approved Feasibility Study Report (FSR), the Secretary of State awarded contracts to provide services for an independent project oversight consultant, procurement consulting services, and independent validation and verification. The Secretary of State also took the steps necessary to establish an advisory committee of stakeholders, with strong representation of county election officials, to provide input on project procurement and implementation as required by the FSR. The advisory committees met multiple times to provide input on the functional, business requirements for inclusion in a Request for Proposal (RFP) used to solicit bids from vendors for design and implementation of the VoteCal project. The RFP was subsequently released by the Secretary of State, in accordance with Department of General Services (DGS) direction, on December 13, 2007. On that date, counties were notified of the release of the RFP, and a conference call to which all counties were invited was conducted by the Secretary of State. The US DOJ and advisory committee members from stakeholder groups were notified of the RFP release on December 14, 2007. A notice of "Intent to Bid" from vendors was due, and notices were received, by December 31, 2007, pursuant to the bidding process.

2008 Election Cycle Preparations: Activities related to the 2008 election cycle will include processing county invoices for HAVA related expenses incurred for voter education; voting system procurement; poll worker training; poll monitoring in 31 counties during the February Presidential Primary Election; reviewing source code and security features of voting systems that are being submitted by vendors in response to issues raised during a comprehensive top-to-bottom review; and discussions with county election officials on lessons learned from that review and from previous elections in proposing improvements for future elections.

Administration: A comprehensive top-to-bottom, source code review of three voting systems was completed on August 3, 2007. Secretary of State staff follow-up work for this review included: working with counties and voting system vendors to develop election security procedures for the 2008 election cycle that address voting system vulnerabilities discovered in the source code review; drafting revisions amendments to the voting system decertification/recertification orders; and working with vendors on testing and certification of new voting systems proposed by vendors and counties for use in the 2008 election cycle. The Secretary of State also established a task force that included statisticians, county elections officials and interested parties to study and make recommendations concerning post-election auditing procedures.

At the time the top-to-bottom source code review was initiated, vendors were provided the opportunity to forgo that review with the understanding that the vendor would bring a new, upgraded voting system forward in time for testing and certification to be completed so that the voting system could be used in the 2008 elections. The Secretary of State reserved the right to conduct additional

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testing and impose additional use conditions on existing voting systems if the vendor failed to submit a new, upgraded system in time for testing and certification, or if the system subjected to testing failed to be certified. Additional use conditions and post-election audit requirements have now been imposed on two such voting systems not subjected to the top-to-bottom review.

Additionally, the Secretary of State initiated an investigation, pursuant to Elections Code Section 19213, into unauthorized changes made to voting system equipment by one vendor. Pursuant to the Elections Code procedures, the Secretary of State conducted a public hearing on the issue on October 15, 2007. Following that hearing, the Secretary of State filed a lawsuit against the vendor on November 19, 2007.

In addition to these specific activities, the Secretary of State staff responded to multiple inquiries from federal, state and county officials, and voting system vendors related to the top-to-bottom source code review and the findings resulting from the review.

Finally, the Secretary of State initiated a formal inquiry to the federal Election Assistance Commission – the oversight body for HAVA – on the allowable use of HAVA funds for voting system modifications undertaken by counties pursuant to the August 3, 2007 decertification/recertification orders issued by the Secretary of State following the source code top-to-bottom review.

The following table summarizes the first quarter expenditures by activity for the current and prior fiscal years:

Activities	2 <sup>nd</sup> Quarter FY 05/06 * (in thousands)	2 <sup>nd</sup> Quarter FY 06/07* (in thousands)	2 <sup>nd</sup> Quarter FY 07/08* (in thousands)	Total Spent 2 <sup>nd</sup> Quarter (in thousands)
Voting Systems (including AVVPAT)	\$9,948	\$0	\$0	\$9,948
Statewide Database (VoteCal)	\$0	\$0	\$223	\$223
VoteCal Redirected Staff	\$0	\$0	\$22	\$22
Interim Solution – SOS	\$0	\$0	\$0	\$0
Interim Solution - County Retrofit	\$53	\$0	\$0	\$53
Voter Education	\$0	\$0	\$0	\$0
Voting System Technology	\$0	\$0	\$0	\$0
Source Code Review	\$0	\$510	\$0	\$510
Poll Monitoring	\$0	\$0	\$1	\$1
EAID Compliance	\$539	\$0	\$0	\$539
Administration	\$0	\$0	\$105	\$105
Parallel Monitoring	\$0	\$0	\$0	\$0
Total	\$10,540	\$510	\$351	\$11,401

\*Prior year expenditures for 07-08 include the actual expenditures for accruals reported on the 06-07 fourth quarter report.

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If you have any questions regarding this report, please contact Dora Mejia, Chief of Management Services Division, at 653-1471.

Sincerely,



Janice Lumsden  
Deputy Secretary of State, Operations

cc: Honorable Denise Moreno Ducheny, Chair Joint Legislative Budget Committee  
Ms. Robin Baker, Department of Finance  
Mr. Larry Yanni, Department of Finance  
Mr. Chris Reynolds, Secretary of State, HAVA Coordinator  
Ms. Dora Mejia, Secretary of State, Chief Management Services Division  
Ms. Crystal Goto, Secretary of State, Financial Operations Manager  
Mr. Tony Lee, Secretary of State, Budget Officer  
Ms. Shigeko Shibata, Secretary of State, Accounting Administrator I