

**D38I01**  
**State Board of Elections**

***Operating Budget Data***

(\$ in Thousands)

	<b><u>FY 06</u></b> <b><u>Actual</u></b>	<b><u>FY 07</u></b> <b><u>Working</u></b>	<b><u>FY 08</u></b> <b><u>Allowance</u></b>	<b><u>FY 07-08</u></b> <b><u>Change</u></b>	<b><u>% Change</u></b> <b><u>Prior Year</u></b>
General Fund	\$3,875	\$7,752	\$16,495	\$8,743	112.8%
Special Fund	5,683	18,230	8,934	-9,296	-51.0%
Federal Fund	<u>17,962</u>	<u>3,522</u>	<u>2,179</u>	<u>-1,343</u>	<u>-38.1%</u>
<b>Total Funds</b>	<b>\$27,519</b>	<b>\$29,504</b>	<b>\$27,608</b>	<b>-\$1,896</b>	<b>-6.4%</b>

- A fiscal 2007 deficiency appropriation of \$1,014,980 is intended to cover costs associated with corrective actions required after the 2006 primary election.
- The drop in the State Board of Elections fiscal 2008 allowance compared to the fiscal 2007 working appropriation is exaggerated, but only slightly, by one-time savings in employee and retiree health insurance costs. Absent these savings, the decline would be just under \$1.8 million, 6.1%.

***Personnel Data***

	<b><u>FY 06</u></b> <b><u>Actual</u></b>	<b><u>FY 07</u></b> <b><u>Working</u></b>	<b><u>FY 08</u></b> <b><u>Allowance</u></b>	<b><u>FY 07-08</u></b> <b><u>Change</u></b>
Regular Positions	32.50	32.50	32.50	0.00
Contractual FTEs	<u>6.00</u>	<u>6.00</u>	<u>6.00</u>	<u>0.00</u>
<b>Total Personnel</b>	<b>38.50</b>	<b>38.50</b>	<b>38.50</b>	<b>0.00</b>

***Vacancy Data: Regular Positions***

Turnover, Excluding New Positions	0.98	3.00%
Positions Vacant as of 12/31/06	2.00	6.15%

- There is no change in regular or contractual employment in the fiscal 2008 allowance from the fiscal 2007 working appropriation. However, contractual employment spending increases in order to conform current spending trends to actual contractual employee utilization.

Note: Numbers may not sum to total due to rounding.

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## ***Analysis in Brief***

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### **Major Trends**

***Issues in the 2006 Primary Election Abound...:*** Significant human and technical problems were present in the 2006 primary election.

***...but Most Problems Appear to Be Resolved by the 2006 General Election:*** The major concern in the 2006 general election was the allocation of voting machines in Prince George's County.

### **Issues**

***The Use of Performance-based Contracting by the State Board of Elections:*** Although there is evidence that the State Board of Elections does pay attention to performance in its contracts, performance measures are not explicit. A recent audit of the board also noted some contract monitoring deficiencies.

### **Recommended Actions**

	<b><u>Funds</u></b>
1. Reduce funds for E-poll books based on the use of five-year lease-purchase financing.	\$ 665,000
2. Delete federal fund support for Independent Verification and Validation projects.	400,000
3. Reduce deficiency request for election judge training and absentee ballots based on the most recent actual expenditures.	100,000
<b>Total Reductions to Fiscal 2007 Deficiency Appropriation</b>	<b>\$ 100,000</b>
<b>Total Reductions to Allowance</b>	<b>\$ 1,065,000</b>

**D38I01**  
**State Board of Elections**

***Operating Budget Analysis***

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**Program Description**

The State Board of Elections (SBE) is a five-member board charged with managing and supervising elections in the State of Maryland and ensuring compliance with State and federal election laws, including the federal Help America Vote Act (HAVA). Under HAVA, State spending of federal HAVA funds is guided by its State Plan as submitted to the federal government.

Individuals from both major parties are appointed by the Governor, with the advice of the Senate, to staggered four-year terms. The board appoints a State administrator, who is charged with oversight of the board's functions and supervising operations of the local boards of election (LBEs).

LBEs maintain voter registration records for the statewide voter registration database, establish election precincts and staff polling places, provide and process absentee ballots, and certify local election results.

The mission of SBE is to administer the process of holding democratic elections in a manner that inspires public confidence and trust.

**Performance Analysis: Managing for Results**

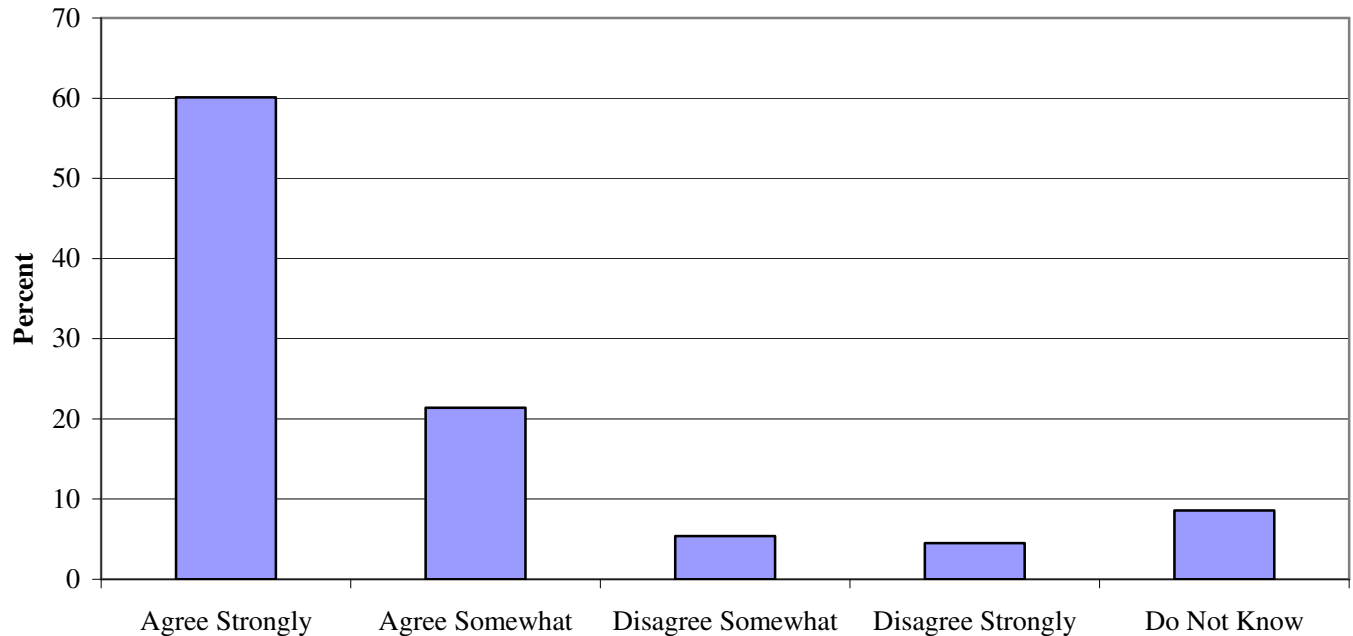
The eight performance measures contained in the SBE Managing for Results (MFR) submission are tied to two-year election year cycles rather than fiscal years. Four of the measures have yet to establish baseline data. Of the other four measures, two have insufficient data to establish actual trends, and one simply relates to the adoption of the uniform statewide voting system which is complete.

The most interesting item in the board's MFR concerns public confidence that votes are accurately recorded. This data is derived from a survey of 800 registered Maryland voters who voted in the 2004 general election and was conducted by the University of Maryland Baltimore County (UMBC). As shown in **Exhibit 1**, when responding to the question about their confidence that the voting system accurately recorded and counted their vote, most voters agreed strongly or somewhat (82%), with only 10% disagreeing strongly or somewhat. The remaining respondents replied that they did not know.

The same survey shows strong favorable opinions (again expressed as agree, somewhat, or strongly) about the voting system in terms of ease of use (99% favorable), and quicker voting (85% favorable).

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**Exhibit 1**  
**Response to Public Opinion Survey on Confidence That the Voting System**  
**Accurately Recorded Their Vote**



Source: State Board of Elections

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This survey was conducted before the 2006 election cycle. Clearly, if measured by continuing efforts to make changes to the voting system, the performance of the election system especially in the primary election, did not inspire the “public confidence and trust” sought by the board in its MFR.

SBE itself noted the need for significant improvements after the primary election. These improvements were needed to address two broad concerns:

- **Human Failures:** These failures were characterized by the failure in Montgomery County to send voter access cards (required to operate the voting machines) to polling places, the failure in Baltimore City to open all polling places in a timely manner because of a lack of election judges, the failure in Prince George’s and Anne Arundel counties to have adequately prepared election judges, and the overall impression that statewide there was confusion among election judges, and in particular among chief election judges, about the use of provisional ballots and the new E-poll books.
- **Equipment Issues:** Issues with the spontaneous rebooting of E-poll books and the slow reporting of results (attributed by SBE to additional security features added to the voting system, poorly trained election judges, and the failure of some counties to properly send results via modem).

The Office of Legislative Audits (OLA) was tasked to analyze the corrective action plan proposed by SBE to correct significant deficiencies identified in four jurisdictions (Baltimore City, and Anne Arundel, Montgomery, and Prince George's counties) and monitor the implementation of that correction action plan. As shown in **Exhibit 2**, OLA's final report on the implementation of the changes proposed in the corrective action plan indicated significant progress in correcting identified deficiencies. Although at the time of publication, four days prior to the general election, some items were still unresolved.

The 2006 general election passed with relatively few reported problems in Maryland (although significant problems, human and technical, were reported in other states). At this time, a detailed analysis of the election is in preparation (SBE routinely conducts post-election reviews with LBEs to find out what went wrong and what went right on election day).

The most widely reported problem concerned long lines to vote in Prince George's County. As shown in **Exhibit 3** according to SBE, two-thirds of the county's 206 precincts had too few machines (the requirement is one machine per 200 registered voters). The Prince George's County LBE concurred, while noting that in addition to the improper deployment of voting machines, the large number of local ballot questions also contributed to the delays in voting. The problem of machine deployment was blamed on human error. Specifically, while SBE provided the local LBE with sufficient machines based on the most up-to-date registration information, the county failed to deploy the machines to the precincts in the appropriate manner because it did not use the most up-to-date voter registration data. It would appear from Exhibit 3 that, in fact, the county simply did not deploy all the machines available to it.

Despite this apparent improved performance in November, the ongoing use of the current voting system remains in question. Concerns about the current system have manifested in various areas:

- The National Institute of Standards and Technology (NIST) recently issued a report recommending against the use of paperless electronic voting machines such as those exclusively used in Maryland and four other states (Delaware, Georgia, Louisiana, and South Carolina) and in an estimated 30% of all jurisdictions nationwide.
- The Technical Guidelines Development Committee, a federal advisory panel to the U.S. Election Assistance Commission, following debate on the NIST report, recommended guidelines to begin the gradual phasing-out of paperless electronic voting machines, although the Election Assistance Commission is not anticipated to vote on this recommendation until 2008.
- The NIST report simply adds the many other recent dueling reports on both sides of the argument about the security of electronic voting machines generally and Maryland's system specifically.

**Exhibit 2**  
**Office of Legislative Audits**  
**Elections Status Report**  
**November 2, 2006**

<u>Entity</u>	<u>Issue</u>	<u>Number of Corrective Actions</u>	<u>Number Fully Resolved</u>	<u>Comment</u>
SBE	Equipment and technical problems primarily associated with the E-poll book	4	2	The two unresolved corrective actions concern the receipt of an independent consultants review of the Diebold Root Cause Analysis report, and final resolution of required upgrades/fixes to the E-poll books by Diebold.
SBE	LBEs lacked a formal contingency plan in case of E-poll book failure	2	0	Not all LBEs had submitted deployment plans for ballot delivery and other supplies to voting places and insufficient technicians had been trained.
SBE	Election judges at many precincts were not adequately trained	2	1	Documentation was not on hand to verify that all required training had occurred.
SBE	Training materials were not provided to LBEs in a timely manner	1	1	
SBE	Certain key equipment appeared to be not supplied in a timely manner	2	2	
SBE	Inadequate communication between some polling places and LBEs	2	2	
SBE	Concern about cost of additional mandated training	1		This problem was subsequently resolved with the submission of a deficiency request that is part of the fiscal 2008 budget.
Anne Arundel LBE	Shortage of judges	2	2	
Anne Arundel LBE	Inadequate training of judges	1	1	
Anne Arundel LBE	Memory cards were inadvertently left in voting units at the end of the primary	2	2	

<u>Entity</u>	<u>Issue</u>	<u>Number of Corrective Actions</u>	<u>Number Fully Resolved</u>	<u>Comment</u>
Baltimore City LBE	Election judges did not report to polling places	3	2	LBE was developing a checklist with the City Police Department to verify polling places would be open. That checklist had not been developed.
Baltimore City LBE	Shortage of judges	4	1	Judges were still in the process of being recruited and documentation of progress required by SBE had not been submitted.
Baltimore City LBE	Judges were not assigned to precincts	1	1	
Baltimore City LBE	Inadequate training of judges	3	0	While training was being conducted by the University of Baltimore, no written agreement for training had been executed and the quality of education provided was deemed uneven.
Baltimore City LBE	Lack of communication between precincts and the LBE	1	0	Proposed solution appeared to contradict State regulations concerning the transmittal of memory cards to election headquarters.
Montgomery County LBE	Voter access cards were not delivered in a timely manner	3	3	
Montgomery County LBE	Inadequate training of judges	2	2	
Montgomery County LBE	Lack of communication between precincts and the LBE	2	2	
Montgomery County LBE	Insufficient quantity of equipment	1	1	
Montgomery County LBE	Insufficient number of provisional ballots	1	1	
Prince George's LBE	Lack of timely counting of votes	2	1	Proposed procedures for the returning of memory cards appeared to contradict State regulations.
Prince George's	Inadequate training of judges	1	0	Not all chief election judges had received required training.

<u>Entity</u>	<u>Issue</u>	<u>Number of Corrective Actions</u>	<u>Number Fully Resolved</u>	<u>Comment</u>
LBE				
Prince George's LBE	Inadequate number of technicians and poorly trained technicians	2	2	
Prince George's LBE	LBE did not use E-poll book printers to document voter sign-in	0		LBE indicated that it would not use the printers and SBE concurred that while it would prefer the LBE use the printers it was too late to train judges on the technology at this point.
Prince George's LBE	Shortage of judges	1	1	
Source: Office of Legislative Audits				



**Exhibit 3**  
**Machine Availability in the 2006 General Election in Prince George’s County**

	<u><b>Number</b></u>	<u><b>% of Total Precincts</b></u>
Precincts with more machines than required	18	9%
Precincts with correct number of machines	55	27%
Precincts with too few machines	133	65%

Note: Total may not sum due to rounding.

Source: State Board of Elections

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- The company that certified Maryland’s voting equipment, Ciber, Inc, was recently barred from approving new machines after it was determined that it was not following quality control procedures and could not document that it was conducting all required tests.

It should be noted that simply adding a paper trail to electronic voting machines may not be the panacea for restoring public trust in the election system that some hope:

- A recent study, for example, by the Brennan Center for Justice and the New York University School of Law that examined three different types of voting systems (the Direct Recording Electronic (DRE) machines such as those used by Maryland, DREs with a voter verified paper trail, and optical scan systems) noted significant security and reliability vulnerabilities with all three voting systems. Although the same report noted that the most troubling vulnerabilities of each system could be remedied if proper countermeasures were implemented.
- SBE’s own commissioned report from UMBC on voter verification technologies concluded that none of the vote verification products it examined should be adopted.

The cost of including a paper trail component in the voting system is likely to be significant (According to SBE, estimates range from \$6 million to implement voting by mail, \$21 million for optiscan machines in every precinct, \$35 million to retrofit all existing DRE machines with printers, to \$46 million to upgrade to Diebold DRE machines that include a voter verified paper trail). These estimates are exclusive of service contracts to operate and maintain equipment. Such costs would be in addition to existing lease-purchase finance costs (exclusive of E-poll books) for the existing voting system totaling just under \$28 million in fiscal 2008 through 2014.

## **Fiscal 2007 Actions**

There is a \$1,014,980 fiscal 2007 deficiency request for SBE related to the corrective actions required by SBE after the system failures in the September 2006 primary election. The request is broken into three parts:

- additional training requirements in the counties (\$499,000);
- costs for the printing of additional absentee ballots (\$315,000); and
- the cost of a training contract through the University of Baltimore for training of Baltimore City election judges (\$200,980).

**Based on the most recent actual expenditures for election judge training and absentee ballot printing, DLS recommends reducing the deficiency request by \$100,000.**

## **Governor's Proposed Budget**

The Governor's fiscal 2008 allowance for SBE falls almost \$1.9 million, 6.4%, from the fiscal 2007 working appropriation. As most of the change is in major contracts related to the voting system and statewide voter registration system, the distortion to the overall budget change caused by the one-time savings in employee and retiree health is minimal, ameliorating the decline slightly to just under \$1.8 million, or 6.1%. Key changes to the budget are detailed in **Exhibit 4**.

### **Use of Dedicated Purpose Account Funds for Early Voting and E-poll Books**

Within SBE's budget, the HAVA program budget includes funding for voting machines and E-poll books. Major proposed expenditures include lease payments for equipment as well as support services. **Exhibit 5** breaks out the funding available in both the fiscal 2007 working appropriation and the fiscal 2008 allowance for E-poll books. As shown in the exhibit, a major part of the available funding (\$13,377,408) was provided in a fiscal 2006 deficiency appropriation to the Dedicated Purpose Account (DPA). That funding was tied to the implementation of early voting, for which E-poll books were considered a key to successful implementation.

SBE initially let a contract with Diebold for the provision of E-poll books and associated services in preparation for early voting (although subsequently ruled unconstitutional, SBE appropriately prepared for the possibility of early voting). That contract was for just under \$2.4 million. Funding was transferred from the DPA to cover the cost of that contract. Based on an invoice schedule contained in the contract, SBE expects all of this funding to be expended in fiscal 2007. SBE subsequently modified the initial contract to purchase an additional 5,300 E-poll books and associated hardware at a cost of just over \$16 million. SBE does not anticipate beginning to pay for this additional equipment until fiscal 2008.

**Exhibit 4**  
**Governor's Proposed Budget**  
**State Board of Elections**  
**(\$ in Thousands)**

<b>How Much It Grows:</b>	<b><u>General Fund</u></b>	<b><u>Special Fund</u></b>	<b><u>Federal Fund</u></b>	<b><u>Total</u></b>
2007 Working Appropriation	\$7,752	\$18,230	\$3,522	\$29,504
2008 Governor's Allowance	<u>16,495</u>	<u>8,934</u>	<u>2,179</u>	<u>27,608</u>
Amount Change	\$8,743	-\$9,296	-\$1,343	-\$1,896
Percent Change	112.8%	-51.0%	-38.1%	-6.4%
<b>Where It Goes:</b>				
<b>Personnel Expenses</b>				<b>\$63</b>
Increments and other compensation .....				\$43
Retirement contributions .....				33
Other fringe benefit adjustments .....				27
Turnover adjustments .....				26
Employee and retiree health benefit one-time savings .....				-66
<b>General Administration</b>				<b>-\$109</b>
Contractual employment (align to current use) .....				122
Contract for software maintenance and electronic filing .....				-73
Received campaign finance fees .....				-58
Grants for provisional judges .....				-40
Assigned computer time .....				-35
Printing costs .....				-25
<b>HAVA</b>				<b>\$2,797</b>
Lease payments .....				3,888
Project management contract .....				50
Contractual employment .....				-81
Independent Verification and Validation .....				-1,060
<b>Statewide Voter Registration System (MDVOTERS)</b>				<b>-\$4,645</b>
Movement of project from development to operations and maintenance phase ...				-4,230
Various contract costs .....				-415
Other .....				-2
<b>Total</b>				<b>-\$1,896</b>

Note: Numbers may not sum to total due to rounding.

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**Exhibit 5**  
**E-poll Books: Fiscal 2007 and 2008 Expenditures and Available Funds**

	<u>Fiscal 2007</u>	<u>Fiscal 2008</u>	<u>Total</u>
<b>Expenditures</b>	\$2,359,651	\$16,040,609*	\$18,400,260
<b>Available Funding</b>			
SBE	2,359,651	4,322,024	6,681,675
DPA**		11,017,757	11,017,757
<b>Total</b>	<b>2,359,651</b>	<b>15,339,781</b>	<b>17,699,432</b>

\*Cost of Contract modification

\*\*The DPA funding was originally appropriated as a fiscal 2006 deficiency in the amount of \$13,377,408. Of this amount \$2,359,651 has been transferred to SBE.

Source: State Board of Elections, Department of Legislative Services, Department of Budget and Management

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As shown in Exhibit 5, based on the funding available in the DPA and the SBE fiscal 2008 allowance, SBE is just over \$700,000 short of the funds necessary to fully meet the total E-poll book contract award. However, in accordance with Section 7-310 of the State Finance and Procurement Article, the Department of Budget and Management (DBM) has submitted a budget amendment (**Amendment 116-07**) to the Legislative Policy Committee (LPC) transferring the just over \$11 million remaining in the DPA for early voting and E-poll books to the Revenue Stabilization Account. DBM, in requesting this transfer, notes that these funds “are necessary to balance the fiscal year 2008 budget.” The Administration is authorized in statute to request such a transfer if the Governor deems that the funds are no longer needed for the intended purpose.

Two arguments support the Administration’s contention that the funds are, in fact, surplus to requirements: the funds were tied to early voting which was declared unconstitutional; and in any event funding is contained in the fiscal 2008 allowance to finance the purchase of E-poll books through a lease-purchase arrangement with the State Treasurer’s Office (a similar mechanism was used to purchase the voting machines).

Based on the funding available for E-poll books in SBE’s fiscal 2008 allowance, the fact that all of the outstanding contract award is hardware and eligible for capital financing, and using a typical five-year lease-purchase financing schedule, there is more than sufficient funding in the fiscal 2008 allowance to support such a financing arrangement.

**The Department of Legislative Services (DLS) recommends that Budget Amendment 116-07 be approved by LPC and that \$665,000 in general funds be cut from the SBE budget, leaving just under \$3.7 million to support the lease-purchase of the E-poll books.** Absent any objection raised during subcommittee hearings on the SBE fiscal 2008 budget, DLS will begin processing Amendment 116-07 after that time.

## ***Issues***

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### **1. The Use of Performance-based Contracting by the State Board of Elections**

In recent years, at all levels of government, greater emphasis has been placed on the effectiveness of government programs. In Maryland State government, this emphasis is best-reflected in the Managing for Results (MFR) process. A natural adjunct of MFR with its development of performance goals and the measurement of outcomes is the concept of performance-based contracting.

Performance-based contracting means different things to different people. However, at its core, performance-based contracting is intended to change the behavior of contractors (and by extension, the agencies overseeing those contracts and contractors) to focus more on performance. Supporters of performance-based contracts point to such potential benefits as the encouragement of contractors to be innovative, increased emphasis on better outcomes and lower costs, and increased accountability (on the part of the contracting agency as well as the contractor). Skeptics note that performance-based contracts are best used for contracts that are well-defined, have accepted metrics, and have a reasonably predicted time-frame for achieving the desired outcomes, something often absent.

Two major contracts awarded by SBE (for the purchase of DREs and associated services, and E-poll books) were reviewed to assess the extent to which they contain performance elements. It should be noted that for the purpose of this review, the E-poll book contract might be regarded as atypical because of the time pressure involved in deploying the E-poll books in the 2006 election cycle and because SBE had little choice but to use E-poll books supplied by Diebold in order to optimally integrate the E-poll books into the State's voting system which also uses Diebold hardware and software. Notwithstanding this caveat, the following observations can be made based on that review:

- Both contracts contain performance elements but typically reference guidelines or documents outside of the contract itself, for example "performance standards as established by the Procurement Officer." While this kind of language gives SBE flexibility in terms of prioritizing performance goals as the contract unfolds, it makes implementation as well as oversight somewhat of a moving target.
- SBE has focused on the development of performance measures with regard to the State voting system in terms of both the interaction between SBE and LBEs and SBE and Diebold. Unfortunately, these performance indicators (developed around five categories, namely scope, schedule, resources, quality, and risk) were only fully articulated in 2004, over two years after SBE signed the contract with Diebold to supply the State with voting machines and support services.

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- In the case of the E-poll books, a key element of the project, the project delivery schedule, was developed by the contractor and not the board. Given the time pressure involved in that particular project (the anticipated need to meet early voting requirements), it might have been expected that SBE would have explicitly established a delivery schedule within the contract.
- No incentives were included in the contracts. The contracts do contain penalty clauses, typically withholding payments until certain conditions are met. In the case of the E-poll book contract, the failures associated with the E-poll books in the primary election resulted in the board withholding some payments pending resolution of certain issues, but the board indicates it does not intend to otherwise penalize the vendor despite clear failings in the performance of the E-poll books. Vendor payments were also withheld under the voting system contract, although this was due to a dispute over invoices rather than explicitly about performance.
- Effective performance-based contracts emphasize the importance of agency oversight of performance. While State Board of Elections does pay attention to performance (not least spending significant dollars on a contract for an independent project management office), contract monitoring deficiencies have also been noted in its most recent audit. Further details on that audit are provided in **Appendix 2**.

In summary, while SBE's recent major contracts contain certain performance traits, they are far from performance-based contracts. The Department of Legislative Services would note that if SBE does have to upgrade or replace the statewide voting system in response to legislation, it should utilize its experience of recent years to explicitly build performance into that contract.

## ***Recommended Actions***

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	<b><u>Amount Reduction</u></b>	
1. Reduce funds for E-poll books based on the use of five-year lease-purchase financing.	\$ 665,000	GF
2. Delete federal fund support for Independent Verification and Validation (IV&V) projects. No federal Help America Vote Act Title II funds are currently available under Maryland's State Plan to support voting system IV&V contracts, and the State Board of Elections is not intending to change its State Plan to permit such funding. The remaining funding (\$900,000) should be adequate for any IV&V needs in fiscal 2008.	400,000	FF
3. Reduce deficiency request for election judge training and absentee ballots based on the most recent actual expenditures.	100,000	GF
<b>Total Reductions to Fiscal 2007 Deficiency</b>	<b>\$ 100,000</b>	
<b>Total Reductions to Allowance</b>	<b>\$ 1,065,000</b>	
<b>Total General Fund Reductions to Allowance</b>	<b>\$ 665,000</b>	
<b>Total Federal Fund Reductions to Allowance</b>	<b>\$ 400,000</b>	

## ***Current and Prior Year Budgets***

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State Board of Elections (\$ in Thousands)					
	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
<b>Fiscal 2006</b>					
Legislative Appropriation	\$3,769	\$5,707	\$10,996	\$0	\$20,472
Deficiency Appropriation	0	1,600	1,065	0	2,665
Budget Amendments	105	595	7,433	0	8,134
Reversions and Cancellations	0	-2,220	-1,532	0	-3,752
<b>Actual Expenditures</b>	<b>\$3,875</b>	<b>\$5,683</b>	<b>\$17,962</b>	<b>\$0</b>	<b>\$27,519</b>
<b>Fiscal 2007</b>					
Legislative Appropriation	\$7,721	\$7,251	\$3,522	\$0	\$18,495
Budget Amendments	31	10,979	0	0	11,010
<b>Working Appropriation</b>	<b>\$7,752</b>	<b>\$18,230</b>	<b>\$3,522</b>	<b>\$0</b>	<b>\$29,505</b>

Note: Numbers may not sum to total due to rounding.

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## **Fiscal 2006**

The fiscal 2006 legislative appropriation for SBE was increased by \$7.047 million. This increase was derived as follows:

- Deficiency appropriations added just under \$2.7 million in combined special and federal funds to the legislative appropriation. This funding was used to support expenditures related to the new statewide Voter Registration System.
- Budget amendments further increased the legislative appropriation by just over \$8.1 million. General funds were increased \$105,000. Of this, \$23,000 represented the SBE share of the fiscal 2006 cost-of-living adjustment (COLA) originally budgeted in DBM, \$68,000 was for higher than anticipated telecommunications expenses, with the remainder a reallocation of funds related to health insurance.

Special fund and federal fund budget amendments totaled just over \$8 million and supported a variety of expenses including: just over \$5 million for contracts connected with the statewide voting system that had been in dispute with Diebold Election Systems, Inc., the vendor for the State's electronic voting system, and RESI at Towson University to perform testing and upgrades to the voting system; \$2 million to offset a reduction made by the legislature in the 2005 session; \$500,000 to enter into a separate contract with Diebold for voter outreach activities prior to the 2006 election; and the remaining funds for a variety of contracts to develop a polling place locator, an on-line training tool for elections judges, enhancing campaign finance information on the SBE web site, the development of a voter verification study, and a public opinion survey concerning voter awareness of, and confidence in, the current voting system.

- Special and federal fund cancellations offset the overall increase to the legislative appropriation by just under \$3.8 million. Most of this related to contract expenditures for the statewide voting system that will shift to future years.

## **Fiscal 2007**

To date, the fiscal 2007 legislative appropriation has been increased by just over \$11 million. The small general fund increase of \$31,000 represents the SBE share of the fiscal 2007 COLA originally budgeted in DBM.

The bulk of the increase in special funds, just over \$8.6 million, relates to action taken in the fiscal 2007 Supplemental Budget Number 2. Specifically, the Governor included in Supplemental Budget Number 2 a fiscal 2006 supplemental deficiency general fund appropriation in the Dedicated Purpose Account to replace the State's existing touch-screen voting system with an optical scan voting system, as well as to fund any other voting system costs in fiscal 2006 and 2007. In the same supplemental budget, the Governor also reduced SBE's fiscal 2007 operating budget by just over

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\$8.6 million. This amount represented anticipated fiscal 2007 expenditures on a contract with Diebold, Inc. to provide support services for the touch-screen voting system. The General Assembly subsequently added budget bill language making just under \$20.0 million of the supplemental deficiency appropriation contingent on legislation to replace the touch-screen voting system (legislation that failed), leaving sufficient funds to backfill the \$8.6 million reduction to SBE's budget made by the Governor.

The remaining special fund increase (almost \$2.4 million) is also derived from the Dedicated Purpose Account and supports the purchase of E-poll books at early voting sites (ultimately found unconstitutional) and to integrate E-poll books into the State's voting system. The fiscal 2007 legislative appropriation does not reflect the funding to support the purchase of an additional 5,300 E-poll books used in the 2006 primary and general elections (this matter is discussed in greater detail above).

## ***Audit Findings***

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Audit Period for Last Audit:	April 17, 2003 – February 28, 2006
Issue Date:	October 2006
Number of Findings:	9
Number of Repeat Findings:	3
% of Repeat Findings:	33%
Rating: (if applicable)	n/a

- Finding 1:** SBE did not ensure that adequate procedures were in place to verify critical changes made to the State’s Voter Registration System. SBE did not concur with this finding. SBE argued that the implementation of MDVOTERS and corresponding procedures has dramatically enhanced the ability of election officials to identify improper applications and maintain an accurate and current voter registration list.
- Finding 2:** SBE did not sufficiently monitor critical system access to the Voter Registration System. SBE did not concur with this finding. SBE argued that the agency’s chief information officer routinely monitors and verifies all users and their respective levels of access.
- Finding 3:** An audit of controls over the Voter Registration System was not obtained by SBE. SBE noted that given the tight timeline to implement MDVOTERS ahead of the federal HAVA deadline of January 1, 2006, obtaining the required audit was impractical. SBE indicated that it intended to issue a Request for Proposals for the audit with the work to start late 2006 or early 2007.
- Finding 4:** **Formal, comprehensive reviews were not periodically conducted of Local Boards of Elections. SBE responded that it has only 10 senior-level staff members capable of conducting audits and review. Since these staff members are also assigned major program responsibilities, SBE argues that the kind of audit envisaged by OLA is unrealistic.**
- Finding 5:** **Adequate controls were not established over cash receipts and related accounts receivable. SBE concurred with this finding.**
- Finding 6:** Labor hours billed by contractors were not adequately supported. SBE concurred with this finding for certain invoices but disagreed with the OLA conclusion that the agency was “unable to verify the vast majority of hours billed to time records.” SBE argued that it did closely monitor all contractor labor hours although it acknowledged that its monitoring practices did not constitute official documentation.

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**Finding 7:** The firewall used to help secure SBE headquarters' local area network was not properly configured or monitored. SBE concurred with this finding.

**Finding 8:** SBE's public web site was not adequately secured. SBE concurred with this finding.

**Finding 9:** **An equipment control account was not maintained. SBE concurred with this finding.**

\*Bold denotes item repeated in full or part from preceding audit report.

**Object/Fund Difference Report  
State Board of Elections**

<u>Object/Fund</u>	<u>FY06 Actual</u>	<u>FY07 Working Appropriation</u>	<u>FY08 Allowance</u>	<u>FY07 - FY08 Amount Change</u>	<u>Percent Change</u>
<b>Positions</b>					
01 Regular	32.50	32.50	32.50	0	0%
02 Contractual	6.00	6.00	6.00	0	0%
<b>Total Positions</b>	<b>38.50</b>	<b>38.50</b>	<b>38.50</b>	<b>0</b>	<b>0%</b>
<b>Objects</b>					
01 Salaries and Wages	\$ 1,897,179	\$ 2,144,146	\$ 2,207,020	\$ 62,874	2.9%
02 Technical and Spec Fees	194,507	241,563	309,598	68,035	28.2%
03 Communication	418,977	476,611	470,617	-5,994	-1.3%
04 Travel	32,830	22,606	22,500	-106	-0.5%
07 Motor Vehicles	1,977	2,618	2,690	72	2.8%
08 Contractual Services	4,583,107	4,984,128	3,433,257	-1,550,871	-31.1%
09 Supplies and Materials	32,530	19,642	24,575	4,933	25.1%
10 Equipment – Replacement	7,155	0	0	0	0.0%
11 Equipment – Additional	7,000,687	6,068,430	9,956,290	3,887,860	64.1%
12 Grants, Subsidies, and Contributions	13,039,177	15,168,596	10,858,808	-4,309,788	-28.4%
13 Fixed Charges	311,096	375,857	322,473	-53,384	-14.2%
<b>Total Objects</b>	<b>\$ 27,519,222</b>	<b>\$ 29,504,197</b>	<b>\$ 27,607,828</b>	<b>-\$ 1,896,369</b>	<b>-6.4%</b>
<b>Funds</b>					
01 General Fund	\$ 3,874,612	\$ 7,751,931	\$ 16,495,000	\$ 8,743,069	112.8%
03 Special Fund	5,682,604	18,230,350	8,934,219	-9,296,131	-51.0%
05 Federal Fund	17,962,006	3,521,916	2,178,609	-1,343,307	-38.1%
<b>Total Funds</b>	<b>\$ 27,519,222</b>	<b>\$ 29,504,197</b>	<b>\$ 27,607,828</b>	<b>-\$ 1,896,369</b>	<b>-6.4%</b>

Note: The fiscal 2007 appropriation does not include deficiencies, and the fiscal 2008 allowance does not reflect contingent reductions.

**Fiscal Summary  
State Board of Elections**

<b><u>Program/Unit</u></b>	<b><u>FY06 Actual</u></b>	<b><u>FY07 Wrk Approp</u></b>	<b><u>FY08 Allowance</u></b>	<b><u>Change</u></b>	<b><u>FY07 - FY08 % Change</u></b>
01 General Administration	\$ 3,874,612	\$ 3,964,942	\$ 3,922,109	-\$ 42,833	-1.1%
02 Federal Help America Vote Act Funding	16,051,832	18,934,255	21,703,731	2,769,476	14.6%
03 Major IT Projects	7,592,778	6,605,000	1,981,988	-4,623,012	-70.0%
<b>Total Expenditures</b>	<b>\$ 27,519,222</b>	<b>\$ 29,504,197</b>	<b>\$ 27,607,828</b>	<b>-\$ 1,896,369</b>	<b>-6.4%</b>
General Fund	\$ 3,874,612	\$ 7,751,931	\$ 16,495,000	\$ 8,743,069	112.8%
Special Fund	5,682,604	18,230,350	8,934,219	-9,296,131	-51.0%
Federal Fund	17,962,006	3,521,916	2,178,609	-1,343,307	-38.1%
<b>Total Appropriations</b>	<b>\$ 27,519,222</b>	<b>\$ 29,504,197</b>	<b>\$ 27,607,828</b>	<b>-\$ 1,896,369</b>	<b>-6.4%</b>

Note: The fiscal 2007 appropriation does not include deficiencies, and the fiscal 2008 allowance does not reflect contingent reductions.