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Congress of the United States
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May 4, 2006

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Hon. John W. Snow
Secretary
Department of the Treasury
1500 Pennsylvania Ave. NW
Washington DC 20220

Dear Mr. Secretary:

I am writing regarding possible investments by the Venezuelan government in Smartmatic, a voting machine company with business in the United States and its acquisition of Sequoia, a U.S.-based voting machine company. Specifically, I am interested in any interactions these companies have had with the Department of Treasury in completing the acquisition of Sequoia and whether this transaction went through the Committee on Foreign Investment in the United States (CFIUS) process.

As you can imagine, having a foreign government investing in or owning a company that supplies voting machines for U.S. elections could raise concerns over the integrity of elections conducted with these machines. Furthermore, I would have concerns if this transaction was done outside the CFIUS process, a process that was put in place to appropriately examine these types of foreign investment.

Attached please find a series of articles regarding these countries and concerns raised about the involvement the Venezuelan government with them including an article from the *Miami Herald* entitled "Venezuela Owns Stake in Ballots". If you have any questions and/or to provide information to my office regarding this letter, please do not hesitate to contact Edward Mills of my staff at edward.mills@mail.house.gov or (202) 225-7944.

Sincerely,


CAROLYN B. MALONEY
Member of Congress

Attachments

The Miami Herald

May 28, 2004 Friday FINAL EDITION

SECTION: FRONT; Pg. 1A

LENGTH: 1555 words

HEADLINE: VENEZUELA OWNS STAKE IN BALLOTS

BYLINE: RICHARD BRAND AND ALFONSO CHARDY, rbrand@herald.com

DATELINE: CARACAS

BODY:

A large and powerful investor in the software company that will design electronic ballots and record votes for Venezuela's new and much criticized election system is the Venezuelan government itself, The Herald has learned.

Venezuela's investment in Bizta Corp., the ballot software firm, gives the government 28 percent ownership of the company it will use to help deliver voting results in future elections, including the possible recall referendum against President Hugo Chavez, according to records obtained by The Herald.

The deal to scrap the country's 6-year-old machines - for a \$91 million system to be built by two fledgling companies that have never been used in an election before - was already controversial among Chavez opponents who claimed it was a maneuver to manipulate votes amid growing political turmoil.

Chavez opponents told The Herald on Thursday they were stunned to learn the government has a proprietary stake in a company critical to the election process.

"The Venezuelan state? Are you kidding?," said Jesus Torrealba, an official in the Democratic Coordinator opposition group. "It impugns the credibility of the process. That is shocking."

Government officials insist the investment is an effort to help support private enterprise and its interest in a ballot software company is merely coincidental, one of a dozen such investments made to help struggling companies.

"The whole process led to a decision that was best for Venezuela," said Bernardo Alvarez, Venezuela's ambassador in Washington.

But Venezuela is a nation bitterly polarized by Chavez's leftist populist rule. Nearly every move by the government is scrutinized by opponents who accuse Chavez of trying to impose an authoritarian regime.

GOVERNMENT FUNDS

Until a year ago, the Bizta Corp. was a struggling Venezuelan software company with barely a sales deal to its name, records show. Then, the Venezuelan government - through a venture capital fund - invested about \$200,000 and bought 28 percent of it.

The government's investment in Bizta made Venezuela Bizta's largest single shareholder and, ultimately, its most important client.

The decision to replace the \$120 million system built by Omaha-based Election Systems & Software was made Feb. 16 under unusual circumstances. Two of the five National Electoral Council members sympathetic to the opposition complained that they had been largely shut out of the process.

"The selection process was secret and it didn't allow us to get any information about the bidders and their products," board member Sobella Mejias said after the decision.

Other members knew about the government's investment, according to one member who asked not to be identified.

The new system is to be built by the **Smartmatic** Corp., which is incorporated in Florida, and programmed by Bizta, which also is registered in Florida and Venezuela.

Pro-Chavez government officials and company executives interviewed by The Herald say the **Smartmatic**-Bizta machines are among the most secure in the world, and that the government's investment in Bizta was unrelated to Bizta's bid for the voting machine contract.

"The companies that were chosen have the highest technical capacity," said Alvarez, the ambassador. "In Venezuela there have been many fair elections and there will be many more fair elections."

But the Atlanta-based Carter Center, which has observed every major Venezuelan electoral process since Chavez's election in 1998, said the disclosure of the government's role in Bizta reinforces the need for independent election audits.

"What we look at in any electoral process is whether each of the components is transparent and auditable. In this case, we would include these new machines," said Jennifer McCoy, who is leading the Carter Center's mission in Venezuela. She said she was unaware of the government's investment in Bizta.

Even without the political implications, the use of electronic voting machines has been widely debated since the United States' 2000 presidential election. Stanford University Professor David Dill, who has studied voting machines but is not specifically knowledgeable about the new Venezuelan system, said almost any programmed electronic machine is subject to possible manipulation.

"People just don't understand how easily these machines could fail to record votes accurately - even by being 'fixed,' " he said.

PAPER TRAIL

Smartmatic does produce a paper trail of votes as well, but Venezuelan government critics claim it will be useless since an election recount would be supervised by the Electoral Council, perceived as pro-Chavez.

The National Electoral Council members have hailed Bizta's software-writing role as

contributing to Venezuelan "sovereignty" over their voting system, which replaces American-designed machines. Chavez, an outspoken critic of U.S. policy, is viewed as leftist and anti-American.

According to Bizta's 2002 financial statement, the most recent one filed by the company in Venezuela, it was then a dormant firm that had no sales and was slowly losing money.

In June 2003, however, a venture capital company called Sociedad de Capital de Riesgo (SCR) invested about \$200,000 in Bizta. The SCR is owned by the Venezuelan government's Industrial Credit Fund.

In January, a top official in Venezuela's science ministry, Omar Montilla, joined Bizta's board of directors to represent the government's three million shares, records show.

Montilla, who is one of five directors, canceled a meeting with The Herald and did not reply to repeated Herald queries.

One month after Montilla joined the board, the National Electoral Council awarded Bizta and partners **Smartmatic** and CANTV the \$91 million contract to develop new voting machines. Bizta was hired to write the electronic code that configured the names and parties of candidates on the touch screens. **Smartmatic** would build and design the machines. CANTV, the publicly held phone company, would provide the phone lines for the system and election-day technical support.

The venture is largely the work of two little-known Venezuelan engineers: Antonio Mugica Rivero and Alfredo Anzola Jaumotte, childhood friends and recent engineering school graduates.

Mugica, 30, is the president of **Smartmatic** and a founder of Bizta. Anzola, 30, is the president of Bizta and the vice president of **Smartmatic**, corporate records from Venezuela show.

NO CONNECTIONS

Both executives say they have no political allegiances. Neither signed a petition drive seeking Chavez's recall.

Anzola initially told The Herald that one of the reasons the electoral council selected the group was that it had no connection to either the government or the opposition.

When told in a subsequent interview in Caracas that Bizta papers showed the government had an investment in his company through SCR, Anzola and Mugica said they viewed the investment as a loan.

"We really don't want to be involved in politics," said Wladimir Serrano, head of the government's venture capital fund. "Our role is strictly financial and technical."

Bizta "remains a private company, with some government shares but without any say on our part on its day to day activities or its strategic programs and policies," Serrano said.

SUBSTANTIAL POWER

But Harvard Professor Ricardo Hausmann, a former Venezuelan official who also has worked as the chief economist of the Inter-American Development Bank, said any investor holding a 28 percent stake in a company would likely have substantial power to make decisions.

"For example, Verizon is the largest shareholder in CANTV, holding 28 percent, and it has control of the company's management," said Hausmann, who sits on the CANTV board. With Bizta, "The government's influence will depend on the arrangement between the government and other shareholders."

SCR's stock purchase in Bizta was part of a broader effort to help start-up companies that could bring Venezuela international prestige in a wide range of industries, Serrano said.

He provided a list of a dozen other companies in which SCR has invested.

Most of the 20,000 **Smartmatic**-Bizta machines will be delivered over the summer from the factory in Italy, officials say.

Company Facts

Three companies will build and execute Venezuela's new touch-screen voting system. Two are incorporated in Florida, though neither does most of its business here.

* **Smartmatic** Corp., which will build the machines, incorporated in Florida in 2000 and lists its world headquarters at 6400 Congress Ave. in Boca Raton. Its president is Antonio Mugica Rivero, 30, and its vice president is Alfredo Anzola, 30.

* Bizta Corp., which will provide software for the new machines, incorporated in Florida in 2001, and lists its address as 19591 Dinner Key Dr., Boca Raton, a residential property owned by Mugica's father. Mugica is listed as president, and Anzola is vice president, according to Florida records. Venezuelan records, however, indicate Anzola is president. In Caracas, Bizta shares its office with **Smartmatic**.

* CANTV, Venezuela's publicly held phone company, will provide phone lines to connect the system and election day technical support. It would have been part of any voting system selected for the elections contract.

The Miami Herald

June 12, 2004 Saturday FINAL EDITION

SECTION: FRONT; Pg. 12A

LENGTH: 765 words

HEADLINE: VOTING-SYSTEM FIRM DROPS VENEZUELA AS AN INVESTOR

BYLINE: RICHARD BRAND, rbrand@herald.com

BODY:

A company hired to help deliver voting results in the recall referendum against Venezuelan President Hugo Chavez announced Friday it will buy back the government's shares in the firm - a move meant to deflect criticism that the government's investment was a tool to manipulate the election.

The announcement by software maker Bizta Corp. comes amid an escalating uproar in Venezuela over the reliability and trustworthiness of the "touch-screen" voting machines, purchased in February for \$91 million. The machines have never been used in an election anywhere.

28 PERCENT

The Herald reported last month that the government purchased a 28 percent stake in Bizta, through a venture capital fund, in June 2003 - just a few months before the company bid for the elections contract.

"They were caught. We discovered the fraud and now they are covering it up," said Ernesto Alvarenga, an opposition congressman. "We still have to be careful. All of this is related to the electronic fraud that they are trying to achieve."

The Herald also reported that a top official in Venezuela's science ministry, Omar Montilla, joined Bizta's board of directors in December to represent the government's three million shares. Two months later, the National Electoral Council awarded Bizta and partners **Smartmatic** and CANTV the \$91 million.

Bizta officials said Friday they were buying back the shares, purchased for about \$200,000, to address concerns about the government's influence in the company as it prepares for the critical August referendum.

"Given our current engagements, even the appearance of a conflict of interest is unacceptable, and as a result, we are repaying the . . . loan and Omar Montilla is stepping down from our Board of Directors," Bizta official Eduardo Correia said in the press release.

The sudden decision also comes one day after The Herald started asking Bizta executives about Montilla's background. Montilla, the Herald learned, was an ally of Chavez who had an intricate role in his 1998 election campaign.

FIRST ELECTION

Montilla had been a top official in a group called UNEPAD, formed by then-presidential candidate Chavez's Patriotic Pole coalition in 1997 to monitor his first election and conduct exit polls, among other things. Most Venezuelan political parties maintain monitoring groups such as UNEPAD to protect their party interests at the polls.

While working for the Chavez campaign in 1998, Montilla was given the task of evaluating the effectiveness of electronic voting machines being used at the time, an optical scanner system built by Omaha-based Election Systems & Software, former UNEPAD members said.

As an electronic engineer, his job was to make sure that Chavez would not be cheated in the election, a former UNEPAD member said.

Montilla declined several requests to be interviewed.

Government officials had repeatedly claimed that its investment in Bizta and Montilla's appointment was made without knowledge that the company would ever seek an elections-related contract.

COINCIDENTAL

They also insisted the investment was part of a larger effort to help support private enterprise and its interest in a ballot software company was merely coincidental, one of a dozen such investments made to help promising companies.

But the government's role in Bizta had raised new concerns among opposition leaders, who continue to say they will not go to the polls unless the vote is manual.

"The process must be manual," said opposition leader Americo Martin. "[The machines] have not been tested in the field. They are unknown. To use them in such a difficult election, in a world of such strong passions, this could lead us to a catastrophe of violence and fighting."

The National Electoral Council on Tuesday announced that it would not change course - and would keep the machines. It also said there would be no concurrent manual count or independent audit to supplement the machine tally.

THE STORY SO FAR

* June 10, 2003: Venezuela's Industrial Credit Fund buys 28 percent of Bizta Corp. shares through a venture capital fund.

* Dec. 15, 2003: Omar Montilla, a top official in Venezuela's Ministry of Science and Technology, joins Bizta's board of directors.

* Feb. 16, 2004: Venezuela's five-person National Electoral Council votes to award Bizta, **Smartmatic** Corp. and CANTV a \$91 million contract to build and deploy "touch-screen" voting machines.

* June 11: Bizta announces it will buy back the government's 28 percent stake, seeking to address conflict-of-interest concerns.

The Miami Herald

April 20, 2004 Tuesday FINAL EDITION

SECTION: FRONT; Pg. 1A

LENGTH: 1143 words

HEADLINE: UNTRIED FLA. VOTE DEVICE TO DEBUT IN VENEZUELA

BYLINE: RICHARD BRAND, rbrand@herald.com

DATELINE: CARACAS

BODY:

Venezuela's electoral council is scrapping its 6-year-old voting machines and replacing them with touch-screen computers from a tiny South Florida company whose machines have never been used in an election anywhere.

The switch - coming as President Hugo Chavez maneuvers to avoid a recall referendum - has sparked a fury among his opponents, who say the new machines from Boca Raton-based **Smartmatic** Corp. could be used to manipulate the tally in a recall vote and other elections.

It could also cast an international spotlight on the reliability of electronic voting systems, hotly debated since the 2000 U.S. presidential election and Florida's ensuing hanging chad, butterfly-ballot chaos.

"We have no trust in these new machines. We are afraid they are preparing to cheat us, and we have reasons to be worried," said opposition congressman Edgar Zambrano.

The National Electoral Council's five-member board awarded the contract to **Smartmatic** and its partners on Feb. 16 amid objections by the two board members sympathetic to the opposition that they had been shut out.

"The selection process was secret and it didn't allow us to get any information about the bidders and their products," board member Sobella Mejias wrote in a letter to the rest of the council.

When Venezuelans first elected Chavez in 1998, they cast their votes using brand-new optical scanners that read paper ballots - a system considered among the most secure and advanced in the world. The \$112 million voting system was built by Omaha-based Election Systems & Software.

THE PARTNERS

Now **Smartmatic** and its partners - the publicly owned CANTV telephone monopoly and Bizta, a private Venezuelan software firm - have a \$91 million contract to provide 20,000 new touch-screen voting machines.

Bizta will add the candidates' names to the electronic ballot. CANTV's phone lines, to transmit vote tallies, would have been part of any election system. But **Smartmatic** is the central player, taking a \$60 million chunk of the contract to arrange to build and program the machines.

Smartmatic's CEO, Antonio Mugica, a Venezuelan citizen, met with The Herald recently in Caracas to demonstrate the new system and address concerns that **Smartmatic** has never before built a voting machine.

Mugica said some employees of his company and its partners are election industry veterans, like Robert Cook, a former executive with Unisys, a large U.S.-based

information technology firm. Mugica said his firm has 70 employees in Venezuela and seven in its offices in Boca Raton and Sunnyvale, Calif.

Smartmatic incorporated in Florida in 2000. State records show the company's five directors, including Mugica and his father, all listed the same home address in Boca Raton.

Mugica, offering references for his firm, said **Smartmatic** has partnered in the past with Unisys and with Mexico's Santander-Serfin Bank, providing security technology.

"We do have two small projects that we are doing with them," said Jacqueline Lewis, a spokeswoman for Unisys, reached in Pennsylvania. "We have [nothing] . . . to do with the contract with Venezuela."

Mugica said the **Smartmatic** touch-screen machines would eliminate errors that can occur when voters fill in the optically scanned paper ballots, and would save Venezuela money in the long run because it does not use expensive optical scanner paper.

Instead, the **Smartmatic** machines print a small paper receipt after each vote is cast, a record that voters can use to verify their decision. Users drop those paper receipts into ballot boxes, and at the end of the day the electronic tallies from each machine should match the paper totals, Mugica said.

'SECURE SYSTEM'

"Even though our system is not well known, it is the most secure voting system available in the world," Mugica said. "You always have to have a first election."

Mugica said the machines and the process by which they were chosen can stand up to international scrutiny.

Johns Hopkins University computer science professor Aviel Rubin, who studies voting systems, says the **Smartmatic** feature of printing a paper receipt is an important element in a secure voting technology.

But he added that having a printer does not guarantee a fraud-proof election and questioned the wisdom of switching systems on the eve of a potentially critical recall vote.

"I've never heard of **Smartmatic**. I'd be very concerned about an unknown player with that big of a contract, especially in a place like Venezuela, where fraud is such a big concern," said Rubin, reached in Washington, D.C.

"Somebody writes the software in the machines, and then you don't know what the software is doing. It can pretend to be working all day and then send out the wrong results at the end of the day."

The first **Smartmatic** vote may be a trial by fire for a company that in a recent U.S. business reference directory estimated its total annual sales at less than \$2.5 million.

Chavez's opponents are trying to force a recall referendum with a petition drive, but the electoral council has challenged more than a million signatures. The council and

opposition are now negotiating for a way to validate those signatures.

With a possible recall vote and regional elections slated for August and September, respectively, some Venezuelans are wondering whether **Smartmatic** will even make the deadline.

DELIVERY SCHEDULE

Fewer than 10 of the machines have so far arrived in Venezuela for demonstrations, and the first shipment of 1,000 is expected to arrive from a factory in Italy shortly, officials said. Most of the machines are scheduled for delivery by July.

The timing is important. Under the constitution, if the recall vote is held before Aug. 19 and Chavez loses, a new presidential election must be held. But after that date his appointed vice president would complete the remainder of his term, which ends in 2006.

National Electoral Council officials said they do not expect the new machines to cause delays.

"We are confident that we won't have a problem," said Luis Ramirez, director of automated systems. He quickly added, "We always have contingency plans."

THE SYSTEM NOW IN USE

Venezuelan electoral authorities are replacing a 6-year-old electronic voting system built by Omaha-based Election Systems & Software.

With the ES&S Model 100 system, Venezuelan voters fill in bubbles next to candidate names on ballots printed on special paper. The ballots are then scanned by an optical reader and tallied by the machines.

The ES&S Model 100s are also used in elections across the United States and Canada, including Toronto, Hawaii and Oklahoma, company officials say.

ES&S also builds the iVotronic machines now used in Miami-Dade County elections.

- RICHARD BRAND

Herald researcher Elisabeth Donovan contributed to this report.

The Miami Herald

August 19, 2004 Thursday FINAL EDITION

SECTION: FRONT; Pg. 12A

LENGTH: 659 words

HEADLINE: CHAVEZ FOES BOYCOTT AUDIT, URGE TESTS OF VOTE MACHINES

BYLINE: STEVEN DUDLEY AND PHIL GUNSON, sdudley@herald.com

DATELINE: CARACAS

BODY:

Opponents of Venezuelan President Hugo Chavez Wednesday refused to take part in a special audit of the results of the president's landslide victory in a recall vote, despite the participation of international observers.

The National Electoral Council reported that with 96 percent of the votes from Sunday's referendum counted, its tallies showed 59.06 percent of the 9,402,892 voters backed Chavez while 40.94 percent voted to recall him.

Observers from former President Jimmy Carter's Atlanta-based Carter Center and the Organization of American States (OAS) have said their own checks on tallies matched the Electoral Council figures giving Chavez victory.

Observers said that on Tuesday, several leaders of the loosely knit opposition coalition known as the Democratic Coordinator had agreed to the terms of the audit, to be carried out by the Electoral Council, Carter Center and OAS.

The audit, which began Wednesday without the Democratic Coordinator, is expected to be finished today.

On Wednesday, however, the group said it wanted more tests on the machinery that tabulated the votes, saying the Electoral Council-Carter-OAS audit would not be able to answer the right questions.

Opposition leaders have said their own exit polls during the balloting Sunday showed Chavez losing the referendum by a vast margin.

TALLIES 'IMPOSSIBLE'

Opposition legislator Nelson Rampersad said the opposition coalition had discovered major anomalies in the tally sheets produced by the touch-screen voting machines.

In 25 percent of the results for the state of Aragua, for example, the number of YES votes produced by at least two machines in one polling station were either identical or nearly identical, Rampersad said, suggesting that voting machines had been tampered with. He showed reporters tally sheets showing the anomalies, but offered no other evidence.

"This is mathematically impossible," he asserted. In other cities and states, the Democratic Coordinator claims, the pattern of identical or nearly identical YES votes repeated, reaching 40 percent in the western state of Zulia.

The OAS and the Carter Center have observed dozens of elections, and the opposition coalition had said before Sunday's vote that it would accept the results if they were validated by those observers.

Since Sunday, the OAS and Carter Center have said their "quick counts" - random and representative samples of voting tallies from polling stations around the country - matched Electoral Council tallies showing Chavez as the winner. "Quick counts" are

the most common, respected means by which observers verify elections worldwide.

The Electoral Council also performed an audit of 199 of the 19,800 machines used in Sunday's vote to make sure the paper receipts that voters deposited into ballot boxes matched the results issued by the voting machines.

International observers said the Democratic Coordinator had also inspected the machines before the elections and had agreed to their use.

ANGRY RESPONSE

Chavez government representatives reacted vehemently to the coalition's announcement that it would not participate in the extra audit.

"Let's be serious," said Mari Pili Hernandez. "They ask everyone to get ready to do the audit. Now they don't want to do the audit. That's a lack of respect for the country."

The voting machines used Sunday were supplied by Boca Raton-based **Smartmatic** and used software provided by Bitza, a company registered in Venezuela and Florida. Bitza came under some scrutiny in May when The Herald reported that the government owned a 28 percent stake in the company. After the report was published, Bizta announced it would buy back the government's shares.

Smartmatic representatives have said the machines, originally developed in Italy to sell lottery tickets and used in an election for the first time here on Sunday, were safe from fraud and that there are numerous ways to audit them.

From Jimmy Carter's oped in the Herald urging acceptance or recall results:

The vote in Venezuela two Sundays ago was the culmination of this process, and a large number of other international observers were invited, including Latin American presidents and members of the U.S. Congress. Because of intense distrust expressed by the opposition, extra care was taken to ensure secrecy and accuracy of the voters' decisions. An electronic voting and tabulation system was developed by a Venezuelan-American consortium led by **SmartMatic**. It permitted touch-screen voting, with each choice backed up by a paper ballot that was examined by the voter and then placed in a sealed box. We international monitors assured that the machines were tested in advance, and observed the voting nationwide.

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Investor's Business Daily

April 6, 2006 Thursday
NATIONAL EDITION

SECTION: ISSUES & INSIGHTS; EDITORIALS; Pg. A12

LENGTH: 368 words

HEADLINE: Hugo Wants Your Vote

BODY:

Elections: If 9-11 taught us anything, it was to be wary of asymmetrical threats from hostile entities no matter what size. We might just get ambushed again if the Venezuelan government ends up controlling our elections.

Don't think it can't happen. A Venezuelan-linked company called **Smartmatic** has bought out a U.S. electronic voting device firm called **Sequoia**, which holds contracts for elections in Chicago and elsewhere.

U.S. foreign investment bureaucrats aren't worried because no military secrets are involved. But that kind of thinking can blindside our democratic institutions as we look for threats to our hardware.

Venezuelan President Hugo Chavez is the foremost meddler in foreign elections in the Western hemisphere and has been accused of secretly financing candidates in Peru, Nicaragua, Bolivia and Mexico. Why wouldn't he be interested in influencing vote outcomes here?

He's already trying to influence our politics through a congressional lobbying effort and a cheap fuel program for welfare recipients explicitly linked to congressional participation.

These and other shenanigans signal interest in influencing perceptions in the U.S.

There's plenty of domestic white noise about electronic machines to cloud the issue. But the problems Chavez could cause are in a different league.

Even as regulators dismiss security threats, the performance of **Smartmatic** in Venezuela's own elections raises questions.

For example, 82% of voters there sat out last December's **Smartmatic**-operational congressional race on shattered confidence in the system.

The **Smartmatic** machines are capable of controlling the speed at which votes are transmitted, creating long lines to discourage voting. They can also instantaneously tally as results come in, giving favored sides information to manipulate turnout.

Mathematicians accuse them of flipping results. And combined with fingerprint machines, they can match votes to voters, violating ballot secrecy.

There may be no problem with **Smartmatic** working U.S. elections, but just wait for a close call and see how credible the result will be. With as many problems as U.S. elections have seen, the one thing it doesn't need is to import Venezuela's electoral wreckage.

Chicago Tribune

April 8, 2006 Saturday
Chicago Final Edition

SECTION: NEWS ; ZONE C; Pg. 1

LENGTH: 995 words

HEADLINE: Alderman sees a plot in voting machines;
Burke connects dots to Venezuela leader

BYLINE: By Gary Washburn, Tribune staff reporter

BODY:

Venezuela gave Chicago Ozzie Guillen, the beloved manager of the World Series champion White Sox. But is the South American country, with secrecy and stealth, also exporting vote fraud here?

As angry aldermen lambasted the head of the company that sold Chicago new, controversial voting machinery, Ald. Edward Burke (14th) suggested Friday that the hardware could be part of a Venezuelan conspiracy to subvert American elections.

Jack Blaine, president of **Sequoia** Voting Systems, faced the hostile questions for about two hours at the City Council hearing. He acknowledged some problems with his company's equipment in the March 21 primary.

But he flatly denied Burke's allegation that Venezuela's leftist president, U.S. critic Hugo Chavez, might be pulling strings behind the scenes.

"Of course, I think it is a crackpot theory," Blaine told reporters after his grilling.

Though **Sequoia** is based in the U.S., Burke hammered away in his questioning about a series of offshore "shell" companies that are **Sequoia** parents and, at the end of a circuitous trail, Venezuelan nationals who are the firm's ultimate owners.

As a result of problems with the recent election, which was plagued by lengthy delays in tabulating results, "we may have stumbled across what could be [an] international conspiracy to subvert the electoral process in the United States of America," he told reporters.

"I am saying the potential for tampering with the American electoral process where presidential elections can be determined by just one state exists here," Burke said.

"Tell me a single solitary reason there is to trace ownership through three shell corporations to the Curacao Islands and its roots to Venezuela, where they have already been involved with the dictator of Venezuela, who Defense Secretary [Donald] Rumsfeld says is an enemy of the United States."

Blaine later said that the ownership structure is similar to those of other firms that do business internationally and that **Sequoia** and the owners of parent **Smartmatic** Corp. have no ties to Chavez. Because they are Venezuelan, **Smartmatic's** owners "are being stereotyped," he asserted.

Some Internet blogs have been rife with talk of a possible **Sequoia**-Chavez connection, and newspapers that have raised the question include the Miami Herald and Investors Business Daily.

Meanwhile, a Carnegie Mellon University computer science professor recently concluded after two days of testing that vote totals on a **Sequoia** model, different from those used here, could be manipulated. That prompted Pennsylvania's Allegheny County to scrap plans to buy the machines.

But Langdon Neal, president of the Chicago Board of Election Commissioners, expressed confidence that the new machines used in Cook County are protected.

"We have enough redundant security measures in place to protect the accuracy of the vote," Neal said. "The beginning starts with tests of the firmware, software and mechanical operation before election day."

The "ultimate protection," Neal said, is a paper record created for every vote cast. Cook County Clerk David Orr, who attended the hearing but was not among the speakers, agreed.

"There are so many ways to protect the vote," Orr said. "Part of the reason we have this paper trail is if ... you had 20 people in our office and 20 people at **Sequoia** who formed some sort of conspiracy, as long as you have that paper trail it wouldn't even matter. You could audit it."

While Burke was the most vocal about a potential Venezuelan tie, other aldermen were highly critical of the performance of the **Sequoia** equipment.

At one point, unhappy with Blaine's answers to some questions, Ald. Leslie Hairston (5th) declared, "I think you belong to the secret brotherhood of I Don't Know."

Two types of voting technology--optical scanners for paper ballots and touch screen machines for the disabled--were used at polling places in the primary. Another device consolidated the results of both types of machines at each polling place and transmitted the data to central tabulation computers downtown.

"During our pre-election testing of this system, data were transmitted 99 percent of the time," Blaine said. "During the election on March 21, however, transmission occurred 68 percent of the time," he said. He suggested that the problems were the result of election judges forced to use the new system "in a relatively short period of time and with a limited amount of training."

Election officials have acknowledged a lack of adequate training for election judges using the machines for the first time in the primary and have said they plan additional training before the Nov. 7 general election.

Burke was not swayed, saying the election "was a disaster," and **Sequoia** "never should have been hired in the first place" because of its ownership ties.

But aldermen acknowledged that the Chicago Board of Election Commissioners is outside council control, and Burke said the council cannot force the board to switch to a new company in time for the general election in November.

Such a move is not in the cards, Neal said.

"At this point it would be almost impossible to switch vendors," he said. Legal issues aside, "to arrange for new equipment to have to be manufactured and tested in that amount of time would be a recipe for disaster in my opinion."

And if there were to be a change, "I guess the [question] is who should we select," Neal said. "Our process began in 2003. We looked at over 23 different vendors. One of the three finalists was the previous vendor. The largest falloff in the U.S. was produced by our previous vendor. Everyone here remembers 2000."

In that election more than 7 percent of the ballots tallied registered no vote for president.

Despite the delay in tallying totals in the most recent election, election officials contended the count was accurate.

Meanwhile, the Cook County Board, which acquired the **Sequoia** machines used in suburban areas during the primary, plans to hold its own hearing.

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Election trouble puts exec on the hot seat

BYLINE: By John McCormick, Tribune staff reporter.

BODY:

Jack Blaine, president of the company that made the voting machines used in Cook County's glitch-filled March primary, is used to jetting around the country selling election equipment.

These days, however, the head of **Sequoia** Voting Systems is racking up frequent flier credits defending his products to angry election officials and testifying before committees.

Outcomes in Chicago's March 21 primary went undetermined for days, and the problems cast doubts on more than \$50 million of new **Sequoia** equipment.

Besides shaking the confidence of voters, the problems have also tarnished **Sequoia's** reputation, providing the latest hit for an industry that is the frequent target of electoral conspiracy theories.

As the company's invoices to Chicago and Cook County remain unpaid in protest, a committee of the Cook County Board will hold a hearing Thursday to look at how similar problems can be prevented in November. The State Board of Elections and a committee of the Chicago City Council have already held similar inquiries.

Election officials have acknowledged a lack of training for election judges who were using the new and complex system. But they have also pointed fingers at **Sequoia**, saying the firm and its equipment did not perform adequately.

The company says that's unfair.

"The only major disappointment was the slow tabulation of the results," Blaine said in a recent interview. "We can improve on the user-friendliness of the equipment."

While the company has previously found itself embroiled in disputes in Florida and Washington state because of equipment failures and other issues, its reputation has never before taken such a blow from a single election in the U.S.

The confusion in Cook County--primarily from widespread failures in the remote reporting of results from polling places--was reported on the front page of the Pittsburgh Post-Gazette in late March, just as officials in Allegheny County, Pa., were finalizing an \$11.8 million contract with **Sequoia**.

Although different machines were to be used in Pennsylvania, the experience in Chicago and suburban Cook County concerned Allegheny officials enough that they went with another vendor.

"I gotta believe this had an impact on it," Blaine said. "But I know of no other [business] fallout."

Much of the angst about **Sequoia** is related to its purchase in March 2005 by **Smartmatic** Corp., a company that provided voting machines for the controversial 2004 recall election of Venezuelan President Hugo Chavez. **Smartmatic's** involvement in U.S. elections troubles some, including Chicago Ald. Edward Burke (14th), who has suggested that the company's equipment could be part of a Venezuelan conspiracy to subvert American democracy.

Chicago and Cook County election officials, meanwhile, were aware of the international controversy surrounding **Sequoia** well before they awarded the company contracts. A county consultant pitched **Smartmatic's** foreign ties as an advantage.

"**Smartmatic**, which provided the election machines for the Venezuelan vote, can rightly claim that they have conducted one of the most closely watched, carefully audited, and statistically analyzed elections in recent history," Oak Park-based Major Scale Technology Management wrote in a memo to Cook County Clerk David Orr's

office.

Sequoia is on its second owner since 2000, when companies started to see a potential windfall from the call for improved voting technology following the controversial presidential election that year.

More than 97 percent of **Smartmatic**, a privately held company like **Sequoia**, is owned by the firm's four founders, the company said in a letter responding to Burke's hearing. Antonio Mugica, the company's chief executive officer, owns 75 percent of the shares.

Whatever baggage **Sequoia** had prior to its selection, election officials would likely have faced similar criticism had they picked other vendors.

"All of the major manufacturers have had significant problems in counting the vote accurately and, in some cases, ethical issues as well," said Bev Harris, founder of Black Box Voting, a national voting watchdog group.

Ohio-based Diebold Inc., for example, has been mired in controversy since its former chairman pledged in a letter to deliver victory for President Bush in Ohio in 2004. The company, one of the finalists here, has since taken steps to isolate itself from politics.

Although **Sequoia's** offices are only a short drive from Silicon Valley, home to hundreds of high-tech companies, most of its products are manufactured on contract by two New York firms, Jaco Electronics and Harvard Custom Manufacturing.

Officials say it would be almost impossible to change vendors in time for the November election--and also potentially costly. Still, Diebold has since tried to reopen discussions following the **Sequoia** flap.

"We have made an offer to sit back down with them and offer a proven solution," said David Bear, a company spokesman.