



EAC MANAGEMENT DECISION:

Resolution of the OIG Audit Report on the Administration of Payments Received Under the Help America Vote Act by the Arizona Secretary of State for the Period April 28, 2003 Through January 31, 2011 Report No. E-HP-AZ-04-11

October 20, 2011

BACKGROUND

The EAC is an independent, bipartisan agency created by the Help America Vote Act of 2002 (HAVA). EAC assists and guides state and local election officials in improving the administration of elections for Federal office. EAC distributes HAVA funds to States for the acquisition of voting systems, and supports the establishment of statewide voter registration lists, and other activities to improve the administration of elections for Federal office. EAC monitors State use of HAVA funds to ensure funds distributed are being used for authorized purposes. To help fulfill this responsibility, the EAC determines the necessary corrective actions to resolve issues identified during Single Audit Act and Department of Inspector General (OIG) audits of state administration of HAVA funds. The EAC OIG has established a regular audit program to review the use of HAVA funds by States. The OIG's audit plan and audit reports can be found at www.eac.gov.

The EAC Audit Follow-up Policy authorizes the EAC Executive Director to issue the management decision for OIG audits of Federal funds to state and local governments, to non-profit and for-profit organizations, and for single audits conducted by state auditors and independent public accountants (external audits). The Executive Director has delegated the evaluation of final audit reports provided by the OIG and single audit reports to the Director of the HAVA Grants Division of EAC. The Division provides a recommended course of action to the Executive Director for resolving questioned costs, administrative deficiencies, and other issues identified during an audit. The EAC Executive Director issues the EAC Management Decision that addresses the findings of the audit and details corrective measures to be taken by the State.

States may appeal the EAC management decisions. The EAC Commissioners serve as the appeal authority. A State has 30 days to appeal the EAC management decision. All appeals must be made in writing to the Chair of the Commission. The Commission will render a decision on the appeal no later than 60 days following receipt of the appeal or, in the case where additional information is needed and requested, 60 days from the date that the information is received from the State. The appeal decision is final and binding.

Please note, with two vacancies the Commission presently lacks a quorum to conduct appeals. The 30 day period to file an appeal remains in place. However, the 60 day period for a decision will toll until a Commission quorum is reestablished.

AUDIT HISTORY

The OIG issued an audit report on the administration of payments received under the Help America Vote Act (HAVA) by the Arizona Secretary of State (SOS) on August 22, 2011. Except for the questionable use of HAVA funds for promotional activities, the lack of personnel certifications and the maintenance of adequate property records, the audit concluded that the SOS generally accounted for and expended HAVA funds in accordance with requirements mentioned for the period from April 28, 2003 through January 31, 2011.

Finding 1 – Unallowable Expenses

The State of Arizona Office of the Secretary of State (SOS) used Section 251 Help America Vote Act (HAVA) funds totaling \$20,000 that may not be allowable since the program was not related to direct voter education. HAVA requires that funds be used for educating voters. The SOS used funds for the Kids Voting Arizona (KVA) program. The payment included \$8,000 for the High School Civics Connection Program, \$7,000 for the Tribal Election Connection Program and \$5,000 for the Destination Democracy After School Program. The purpose of the program was to inform school age children about the voting process and to increase voter turnout since the parents would be involved in assisting the children with the program.

Recommendation:

1. The auditors recommended that EAC work with the SOS to decide whether to allow or disallow the costs associated with the KVA program.

SOS Response:

The SOS disagreed with the finding that providing funds to Kids Voting Arizona would fall outside the scope of voter education. The SOS believes that all three programs were targeted to high school students, ages 16 to 18, who would be eligible to vote in the next general election. The SOS also believes that the programs were in line with the intent of HAVA Section 295, the National Student and Parent Mock Elections Section, the goals of which were to educate high school age students on the voting process and to also encourage participation in elections.

EAC Response:

EAC will work with the SOS to gather additional information to decide whether to allow or disallow the costs associated with the KVA program.

Finding 2 – Uncertified Personnel Expenditures

The SOS did not complete semi-annual certifications for the one full-time employee that worked on HAVA activities for the period of April 1, 2004 through March 31, 2007, and

EAC has no assurance that the salaries and fringe benefits costs of \$147,141 expended from the HAVA fund during this period were incurred for work done solely on HAVA activities. However, the SOS did obtain the appropriate semi-annual certifications for the one full-time employee for the period of April 1, 2007 through the audit period end date of January 31, 2011.

Recommendation:

2. The auditors recommended that EAC work with the SOS to determine the appropriate corrective action regarding the lack of periodic payroll certifications.

SOS Response:

The SOS acknowledged that the personnel certifications were missing for the period April 1, 2004 through March 31, 2007, and assured EAC that the salaries and employee related expenses during the period were spent solely for HAVA related work. The SOS included retroactive certifications with this response to correct the deficiencies.

EAC Response:

While the SOS acknowledges that the semi-annual certification was not completed for the period in question, the job description for the position indicates that this was a full-time HAVA resource. The SOS has assured EAC that the salaries and employee-related expenses spent from the HAVA fund during this period were solely incurred for HAVA-related work. Additionally, the SOS has established a bi-weekly certification policy which exceeds the semi-annual certification requirement. EAC has reviewed the form currently being used by the SOS to certify hours worked. EAC is satisfied with the current policy and considers this matter closed.

Finding 3 – Property Records

The HAVA voting equipment listing received from one of the six counties visited did not conform to the requirements of 41 CFR 105-71.132, the Common Rule. The auditors identified the following discrepancies:

- The county's accounting records showed that the county purchased 106 machines, and the auditors counted 106 machines on site. However, an Automark TSX voting machine could not be located amongst the voting machines because the county had not properly tagged all of the equipment.
- A duplex printer was listed on the inventory records, but in fact was not an asset owned by the county. The county's property records erroneously included the printer.
- A Dell personal computer was listed on the inventory records for the county recorder's office, but was located at the county elections office.

Recommendation:

3. The auditors recommended that the SOS require the staff of both the county elections office and the recorder's office to conduct a physical inventory of all HAVA-funded equipment to ensure that the property records reflect the correct information.

SOS Response:

The SOS concurred with the finding and stated that they were requiring the staff at the county to conduct a full physical inventory of all HAVA funded equipment to ensure that the property records reflect the correct information. In addition, they are requiring that property tags be secured to the proper equipment and cross-referenced to the manufacturer's serial numbers. The SOS also stated that a follow-up audit will be conducted with the county to ensure compliance.

EAC Response:

The SOS conducted an audit of HAVA equipment on August 10, 2011. The follow up audit was to verify corrective action was taken. The county provided updated equipment inventory lists to the SOS that included serial numbers for each piece of equipment purchased using HAVA funds and where the equipment is located. EAC has a follow up letter that addresses the property record concerns. EAC considers this matter closed.