



**U.S. ELECTION ASSISTANCE
COMMISSION
OFFICE OF INSPECTOR GENERAL**

FINAL REPORT:

**ADMINISTRATION OF PAYMENTS RECEIVED
UNDER THE HELP AMERICA VOTE ACT BY
THE PUERTO RICO STATE ELECTIONS
COMMISSION**

APRIL 30, 2003 THROUGH SEPTEMBER 30, 2015

**Report No.
E-HP-PR-06-16
August 2017**



U.S. ELECTION ASSISTANCE COMMISSION
1335 EAST-WEST HIGHWAY, SUITE 4300
SILVER SPRING, MD 20910
OFFICE OF THE INSPECTOR GENERAL

MEMORANDUM

To: Brian Newby
Executive Director

A handwritten signature in blue ink that reads "Patricia L. Layfield".

From: Patricia L. Layfield
Inspector General

Date: August 7, 2017

Subject: Final Performance Audit Report - Administration of Payments Received
Under the Help America Vote Act by the Puerto Rico State Elections
Commission (Assignment Number E-HP-PR-06-16)

We contracted with the independent certified public accounting firm of McBride, Lock & Associates, LLC to audit the administration of payments received under the Help America Vote Act (HAVA) by the Puerto Rico State Elections Commission (PRSEC).

In its audit, McBride, Lock & Associates, LLC concluded that the Office generally accounted for and expended the HAVA funds in accordance with applicable requirements for the period from April 30, 2003 through September 30, 2015. However the following exceptions were identified:

1. The Office did not have established policies and procedures addressing financial management activities including federal financial reporting, equipment management and maintenance of expenditures.
2. The Office's equipment management is inadequate in regards to the maintenance of property records and the performance of a physical observation of inventory.
3. The Office's untimely crediting of match funds to the Elections Fund resulted in lost interest earnings to the fund.
4. The Office submitted financial reports that were not be supported by underlying accounting records.
5. The Office was not able to provide support for the baseline maintenance of expenditure calculation.

6. The Office did not provide adequate documentation to support the allowability of one expenditure.
7. The Office expended \$83,306 of HAVA funds for purposes that are not allowable under the award's terms and conditions or HAVA regulations.

In the report, McBride, Lock & Associates, LLC included the PRSEC's responses to the reported recommendations, as well as the Firm's comments on the responses, after each recommendation. The PRSEC office generally agreed with the findings and recommendations. The EAC indicated that it would work with the PRSEC to resolve the issues in the report. The PRSEC complete response is included as Appendix A-1 and the EAC's complete response is included as Appendix A-2.

We would appreciate being kept informed of the actions taken on our recommendations as we will track the status of their implementation. Please respond in writing to the findings and recommendation included in this report by October 20, 2017. Your response should include information on actions taken or planned, targeted completion dates, and titles of officials responsible for implementation.

To fulfill our responsibilities under Government Auditing Standards, the Office of Inspector General:

- Reviewed McBride, Lock & Associates, LLC's approach and planning of the audit;
- Evaluated the qualifications and independence of the auditors;
- Monitored the progress of the audit at key points;
- Reviewed the audit report, prepared by McBride, Lock & Associates, LLC to ensure compliance with Government Auditing Standards; and
- Coordinated issuance of the audit report.

McBride, Lock & Associates, LLC is responsible for the attached auditor's report and the conclusions expressed in the report. We do not express any opinion on the conclusions presented in McBride, Lock & Associates, LLC's audit report.

The legislation creating the Office of Inspector General requires that we report to Congress semiannually on all audit reports issued, actions taken to implement our recommendations, and recommendations that have not been implemented.

If you have any questions regarding this report, please call me at (301) 734-3104.

Attachment

cc: Director of Grants and Payments

Performance Audit Report

Administration of Payments Received Under the Help America Vote Act by the Puerto Rico State Elections Commission

Prepared for

**The United States Election Assistance Commission (EAC)
Office of Inspector General**

By

McBride, Lock & Associates, LLC

June 2017

McBRIDE, LOCK & ASSOCIATES, LLC

CERTIFIED PUBLIC ACCOUNTANTS
KANSAS CITY

**Performance Audit Report
Administration of Payments Received Under the Help America Vote Act by
the Puerto Rico State Elections Commission**

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**U.S. Election Assistance Commission
Performance Audit Report
Administration of Payments Received Under the Help America Vote Act by
the Puerto Rico State Elections Commission**

EXECUTIVE SUMMARY

McBride, Lock & Associates, LLC was engaged by the United States Election Assistance Commission (EAC) Office of the Inspector General to conduct a performance audit of the Puerto Rico State Election Commission's Office (Office) from inception on April 30, 2003 through September 30, 2015 to determine whether the Office used payments authorized by Sections 101, 102, and 251 of the Help America Vote Act of 2002 (the HAVA) in accordance with HAVA and applicable requirements; accurately and properly accounted for property purchased with HAVA payments and for program income; maintained state expenditures at a level not less than the level maintained in the fiscal year ending prior to November 2000; and met HAVA requirements for Section 251 funds for an election fund and for a matching contribution.

In addition, the Commission requires states to comply with certain financial management requirements, specifically:

- Comply with the *Uniform Administrative Requirements for Grants and Cooperative Agreements with State and Local Government*, 41 CFR 105-71, (originally Office of Management and Budget Circular A-102, also known as the "Common Rule").
- Expend payments in accordance with cost principles set forth in *Cost Principles for State and Local Governments*, 2 CFR 225, (originally Office of Management and Budget Circular A-87) for establishing the allowability or unallowability of certain items of cost for federal participation.
- Follow the requirements of the Federal Cash Management and Improvement Act.
- Submit detailed annual financial reports on the use of Title I and Title II payments.
- Comply with the provisions of *Audits of States, Local Governments and Non-Profit Organizations* (Office of Management and Budget Circular A-133).

We conducted this performance audit in accordance with *Generally Accepted Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on the audit objectives.

Based on the audit procedures performed, except for the matters discussed below, we concluded that the Office generally accounted for and expended the Grant funds in accordance with the

requirements mentioned above for the period from April 30, 2003 through September 30, 2015. The exceptions are as follows:

1. The Office did not have established policies and procedures addressing financial management activities including federal financial reporting, equipment management and maintenance of expenditures.
2. The Office's equipment management is inadequate in regards to the maintenance of property records and the performance of a physical observation of inventory.
3. The Office's untimely crediting of match funds to the Elections Fund resulted in lost interest earnings to the fund.
4. The Office submitted financial reports that were not be supported by underlying accounting records.
5. The Office was not able to provide support for the baseline maintenance of expenditure calculation.
6. The Office did not provide adequate documentation to support the allowability of one expenditure.
7. The Office expended \$83,306 of HAVA funds for purposes that are not allowable under the award's terms and conditions or HAVA regulations.

We have included in this report as Appendix A, the Elections Commission's written response to the draft report. Such response has not been subjected to the audit procedures and, accordingly, we do not provide any form of assurance on the appropriateness of the response or the effectiveness of the corrective actions described therein.

BACKGROUND

The Help America Vote Act of 2002 (HAVA) created the U.S. Election Assistance Commission (Commission) to assist States and insular areas (hereinafter referred to as States) with improving the administration of federal elections and to provide funds to States to help implement these improvements. The Commission administers payments to States authorized by HAVA under Titles I and II, as follows:

- Title I, Section 101 payments are for activities such as complying with HAVA requirements for uniform and nondiscriminatory election technology and administration requirements (Title III), improving the administration of elections for federal office, educating voters, training election officials and pool workers, and developing a State plan for requirements payments.

- Title I, Section 102 payments are available only for the replacement of punchcard and lever action voting systems.
- Title II, Section 251 requirements payments are for complying with Title III requirements for voting system equipment; and addressing provisional voting, voting information, Statewide voter registration lists, and voters who register by mail.

Title II also requires that states must:

- Have appropriated funds equal to five percent of the total amount to be spent for activities for which requirements payments are made.
- Maintain the expenditures of the State for activities funded by the requirements payment at a level that is not less than the expenditures maintained by the State for the fiscal year ending prior to November 2000.
- Establish an election fund for amounts appropriated by the State for carrying out activities for which requirements payments are made, for the Federal requirements payments received, for other amounts as may be appropriated under law and for interest earned on deposits of the fund.

The Awardee – The Puerto Rico State Elections Commission

The HAVA funds were awarded to the Puerto Rico State Elections Commission. The Elections Commission guides the administration of Puerto Rico’s elections, works to protect the integrity of the democratic process and assists in the registration of voters. Elections in Puerto Rico are centralized. The Elections Commission works closely with local commissions serving the 110 precincts across Puerto Rico to ensure the smooth administration of Puerto Rico’s elections.

Help America Vote Act Commonwealth of Puerto Rico State Plan

The Commonwealth of Puerto Rico’s advisory committee consisted of 30 individuals representing a cross-section of election stakeholders. The committee was selected by the Elections Commission.

The main objectives of the project funded by HAVA, as set forth in the state plan, were to modify, revise or maintain the existing voting systems; and modify, administrate and maintain the computerized statewide voter registration database.

The Elections Commission established and is maintaining an election fund for the exclusive purpose of carrying out activities of HAVA. The fund is non-lapsing and accrues interest earned. Additionally, the Office has managed all expenditures funded by HAVA and has not distributed any of the requirements payments to the local units of government.

AUDIT OBJECTIVES

The objectives of our audit were to determine whether the Office:

1. Used payments authorized by Sections 101, 102, and 251 of the Grant in accordance with Grant and applicable requirements;
2. Accurately and properly accounted for property purchased with Grant payments and for program income;
3. Met HAVA requirements for Section 251 funds for creation of an election fund, providing required matching contributions, and meeting the requirements for maintenance of a base level of state outlays, commonly referred to as Maintenance of Expenditures (MOE).

In addition to accounting for Grant payments, the Grant requires states to maintain records that are consistent with sound accounting principles that fully disclose the amount and disposition of the payments, that identify the project costs financed with the payments and other sources, and that will facilitate an effective audit. The Commission requires states receiving Grant funds to comply with certain financial management requirements, specifically:

- Comply with the *Uniform Administrative Requirements for Grants and Cooperative Agreements with State and Local Government*, 41 CFR 105-71, (originally Office of Management and Budget Circular A-102, also known as the “Common Rule”).
- Expend payments in accordance with cost principles set forth in *Cost Principles for State and Local Governments*, 2 CFR 225, (originally Office of Management and Budget Circular A-87) for establishing the allowability or unallowability of certain items of cost for federal participation.
- Follow the requirements of the Federal Cash Management and Improvement Act.
- Submit detailed annual financial reports on the use of Title I and Title II payments.
- Comply with the provisions of *Audits of States, Local Governments and Non-Profit Organizations* (Office of Management and Budget Circular A-133).

SCOPE AND METHODOLOGY

We audited the Grant funds received and disbursed by the Office from April 30, 2003 through September 30, 2015 as shown in the following table:

Description	HAVA Section 101	HAVA Section 102	HAVA Section 251	Total
Funds Received from EAC	\$ 3,151,144	\$ -	\$ 5,868,252	\$ 9,019,396
State Matching Funds	-	-	310,612	310,612
Program Income	324,096	-	208,118	532,214
Total Funds	\$ 3,475,240	\$ -	\$ 6,386,982	\$ 9,862,222
Less Disbursements	(3,447,825)	-	(1,554,774)	(5,002,599)
Fund Balance	\$ 27,415	\$ -	\$ 4,832,208	\$ 4,859,623

AUDIT RESULTS

We conducted this performance audit in accordance with *Generally Accepted Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on the audit objectives.

Based on the audit procedures performed, except for the matters discussed below, we concluded that the Office accounted for and expended the HAVA funds in accordance with the requirements mentioned above for the period from April 30, 2003 through September 30, 2015. The exceptions to applicable compliance requirements are described below.

Finding No. 1 – Documentation of Policies and Procedures

The Office did not have established policies and procedures addressing financial management activities including federal financial reporting, equipment management and maintenance of expenditures.

Federal regulations, specifically 41 CFR 105-71.120(b)(3) - *Post-Award Requirements/Financial Administration, Standards for Financial Management Systems, Internal Control*, require that:

- (a) A State must expand and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds, and
- (b) Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets.

A key aspect of maintaining an effective system of internal controls is the documentation of related policies and procedures to ensure these criteria are current, approved, communicated, incorporated into training materials, and updated when appropriate.

Key policies and procedures affecting financial reporting, equipment and maintenance of effort have not been adequately addressed in policy and procedure documentation. Due to the few personnel involved in financial reporting, equipment and maintenance of effort these policies and procedures have developed informally over the years.

Inadequate documented policies and procedures may result in a lack of awareness and compliance with management's directives, and could allow noncompliance with grant terms and conditions to occur and not be detected.

The Office has had minimal experience with federal awards including the processes associated with federal reporting and grant administration. Accordingly, there had been no specific need for documentation of policies and procedures in these areas. Further, much of the training has occurred through verbal discussion rather than use of written documentation of policies and procedures.

Recommendation:

We recommend that the EAC require the Office to implement procedures to ensure that financial reporting, equipment and maintenance of effort policies and procedures are documented. Additionally, these procedures should be reviewed and updated on a regular basis.

Elections Commission Response:

We are going to develop a better policy that comply with the recommendations provided here and with the guidelines of the EAC staff. However, the Internal Audit and Purchasing and Supplies Offices have the necessary regulations to avoid breaching the Law for the acquisition of good and/or services. These offices are governed by different regulations, manuals and/or information leaflets that instruct the procedures that must be performed for the purchased and/or acquisition of a good or service.

The aforementioned documents were provided during the two visits of the auditors of the firm and were used by the PR Commission in its operations.

The procedures that the Agency uses for the training are not only verbal, currently the Agency is governed by several Regulations among these Regulations No. 11, Basic Rules for the Control and Accounting of Fixed Assets, governed by the Department of the Treasury of Puerto Rico, whose legal base is with the provisions of Articles 10 and 14 of the Law of Accounting of the Government of Puerto Rico, Act No. 230 of July 23, 1974, as amended.

Among other things, this article states that the custody, care and control of fixed assets will be the responsibility of the head of the agency and whose purpose is to establish basic rules related

to the receipt, custody, control and accounting of fixed assets acquired by the agencies that have their funds under the custody of the Secretary of the Treasury.

The Comptroller's Offices information leaflet, entitled: The Government Procurement Process, is also part of the guidelines of the Procurement Process, is also part of the guidelines that the Procurement and Supply Division uses and instructs staff about who is authorized to perform the procurement function, describes the agents or delegates buyer, whose work is previously instructed with the training provided by the Department of the Treasury. In addition, this section details the law or regulation that must be applied according to the government entity. This booklet describes the procedure for making purchased orders, contracts, formal and informal auctions, their requirements, and other related procedures.

It should be noted that for the procedures of Auctions our agency is governed by the Regulations of the General Services (ASG) where is a Unique Bid Registry for the acquisitions and/or granting of funds for a service or equipment. The Legal Basis of this Regulation in Section 1.2 provides the following and I quote:

“This Regulation is adopted and promulgated pursuant to Section 3.002, subsection (1), of Act No. 78 of June 1, 2011, as amended, known as Puerto Rico Electoral Law for the 21 St. Century (Electoral Code), which empowers the State Election Commission to approve and adopt such regulations as may be necessary to implement the provisions of the law under its jurisdiction.

Currently, we are developing better ways to comply with the HAVA law, one of these approaches is the registration of the CEE at the System Award Management (SAM). SAM is a grant and contract information system in which contractors and grantees are registered and then can use the information therein which also includes searching the “excluded parties list”, we are in the process of trying to get all the staff related with the granted of the auction process and contracts trained to check any contract, purchased order, grant or other awards using HAVA funds against the Excluded Parties List System and maintain the verification with the purchase document as the agreement of the PR Commission was noted in the Corrective Plan of 2013.

We intend to further strengthen and clarify our use of PR commonwealth-wide policies and procedures. We will adopt an office manual that cites use of these and clarify our other processes in our HAVA operations. With the help of the EAC we will adequate office policies and procedures for the management of good and services purchased with HAVA federal funds.

Auditor's Response:

We believe that the adoption of improved policies will improve the consistency of compliance with funds from Federal sources. The adoption of the office manual will also assist in ensuring the adequacy of policies and procedures in the use of Federal funds and the management of goods and services purchased.

Finding No. 2 – Inadequate Equipment Management

The Office's equipment management is inadequate in regards to the maintenance of property records and the performance of a physical observation of inventory.

The *Uniform Administrative Requirements for Grants and Cooperative Agreements with State and Local Governments* 41 CFR § 105-71.132 (d) (The "Common Rule") section states that, (1) "Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds the title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property and (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years."

The inventory listing as provided did not include the source of property, or use and condition of the property. The conduct of a physical inventory was not fully documented. It was also noted that policies and procedures were not formalized to indicate what data is necessary for population of the inventory system and how the physical inventory would be conducted and documented. Finally, it was noted that the inventory listing could not be reconciled into the Office's financial records.

The Office was not compliant with federal regulations regarding the maintenance of an inventory listing identifying all required data, and the conduct of a bi-annual physical inventory.

The deficiencies in equipment management result from the Office not implementing policies meeting the minimum requirements for the safeguarding of Fixed Assets.

Recommendation:

We recommend that the EAC address and resolve the following recommendations that the Office:

- (a) Create a documented set of policies and procedures which comply with federal regulations.
- (b) Create an inventory listing which is fully populated and reconcilable into the Office's financial records.
- (c) Conduct and document a physical inventory on a biannual basis.

Elections Commission Response:

At the present, the inventory system used by the CEE Agency is governed by the Regulation No. 11, Basic Rules for the Control and Accounting of Fixed Assets, acquired by agencies that have their funds in the custody of the Secretary of the Treasury. This inventory is digitally maintained, considering the following data:

1. Property Number
2. Cost
3. Property Class
4. Description and coding
5. Date of Acquisition
6. Fund

However, the Property Manager collect information related to the allocation and location for fixed assets. Understand, that we comply with the appointment set regarding the federal requirements. Regarding the reconciliation of the property registers, from the date on which Mr. Noel Rivera Ocasio was designate as the substitute responsible for Property division, the process is carried out once the inventory is completed once a year.

We will work with the EAC to identify specific necessary data elements or activities that may be missing from our use. CEE system for accounting for fixed assets under the HAVA grant and remedy such.

Auditor’s Response:

The appointment of the designate for the collection of data will provide for the necessary action to collect necessary information and provide for the needed reconciliation of the property registers. We commend the Commission for taking these actions.

Finding No. 3 – Interest Earned on the Election Fund

The Office’s untimely crediting of match funds to the Elections Fund resulted in lost interest earnings to the fund.

HAVA Section 254(b)(1) requires that the following monies be deposited into its election fund:

- (a) Amounts appropriated or otherwise made available by the State for carrying out the activities for which the requirements payment is made to the State under this part.
- (b) The requirements payment made to the State under this part.
- (c) Such other amounts as may be appropriated under law.
- (d) Interest earned on deposits of the fund.

Matching funds were deposited to an “accountable” account, which was unable to earn interest. On July 2, 2008, once the Office was made aware that the matching funds must also earn interest, the Office transferred the matching funds out of the “accountable” account and into an interest earning account.

The Election Fund did not earn interest on matching funds until July 2, 2008. The Office deposited \$122,145 funds prior to July 2, 2008. The Election Fund was reduced by the amount of interest earnings not credited prior to July 2, 2008 for matching funds.

Recommendation:

We recommend that the EAC require the Office to make a calculation of the interest lost due to the untimely deposit of matching funds, and deposit these unrecorded earnings to the Election Fund.

Elections Commission Response:

Due to the lack of training since the beginning of the granting of HAVA federal funds the staff who handled at that time these funds was unaware of this requirement, which resulted the deposit of these funds from the beginning into an account which did not generate the required interest. This was corrected in July 2008. We currently will work with the EAC to determine the correct total interest.

Auditor's Response:

The stated corrective action should result in the appropriate calculation and deposit of interest earnings.

Finding No. 4 – Financial Reporting

The Office submitted financial reports that could not be supported by underlying accounting records.

The terms and conditions of the HAVA awards require the submission of accurate and complete Federal Forms 269 (Financial Status Report) and 425 (Federal Financial Report) which reflect the uses of award funds and the interest and program income generated from those funds. HAVA Title IX, Section 902. AUDITS AND REPAYMENT OF FUNDS, Part (a) – Recordkeeping Requirement states, “Each recipient of a grant or other payment made under this Act shall keep such records with respect to the payment as are consistent with sound accounting principles, including records which fully disclose the amount and disposition by such recipient of funds, the total cost of the project or undertaking for which such funds are used, and the amount of that portion of the cost of the project or undertaking supplied by other sources, and such other records as will facilitate an effective audit.”

The analysis of the financial report identified that the cumulative numbers reported were not supported in total by the general ledgers provided by the Office. The total expenditures reported by the Office for Section 101 and Section 251 were \$3,447,825 and \$1,554,773, respectively. The general ledgers disclosed \$3,442,194 and \$1,546,730 for Section 101 and Section 251, respectively. This provided a net \$13,674 over reported expenditures on the financial reports.

HAVA activity may not be accurately reported or accounted for which may increase the potential of misuse of federal funds.

The Office did not properly reconcile the financial reports to the accounting system prior to submission to EAC. The Office is in the process of explaining the variances and will need to amend the federal financial reports.

Recommendation:

We recommend that the EAC require the Office perform a reconciliation of the grant activity to ensure that all expenditures incurred are fully disclosed in the financial reports.

Elections Commission Response:

At this time, we are working to reconcile any differences between the Federal Financial Reports and the general ledger. We will discuss our findings with the EAC.

Auditor's Response:

The stated corrective action is responsive to the recommendation. Reconciliation of the cited differences and submission of corrected Federal reports will provide resolution of the matter.

Finding No. 5 – Maintenance of Expenditure

The Office was unable to provide support for the baseline maintenance of expenditure calculation.

HAVA Section 254(a)(7) requires the State Plan to describe “How the State, in using the requirements payment, will maintain the expenditures of the State for activities funded by the payment at a level that is not less than the level of such expenditures maintained by the State for the fiscal year ending prior to November 2000.”

The State Plan indicated that the Commonwealth of Puerto Rico will continue to fund the election system at or above the level required by HAVA. The Office established the maintenance of expenditure as \$29,039,000. However, the Office was not able to provide support for this amount.

The baseline maintenance of expenditure may not be accurately calculated and may not have been maintained on an annual basis.

The Office did not properly establish their baseline maintenance of expenditure and the baseline may not have been exceeded in each fiscal year.

Recommendation:

We recommend the EAC address and resolve the following recommendations that the Office:

- (a) Evaluate the baseline established for the maintenance of expenditure to ensure that those expenditures included in the baseline are consistent with the maintenance of expenditure policy established by the EAC in June 2010.
- (b) Once established, ensure the maintenance of effort baseline was exceeded in each fiscal year as required by HAVA.

Elections Commission Response:

We have been working during this audit to identify and provide baseline data for FY1999 for the required Maintenance of Effort (MOE) base. We will continue this effort with EAC assistance to establish the appropriate baseline to use to measure subsequent Fiscal Year expenditures necessary to meet or exceed the baseline MOE.

Auditor’s Response:

We appreciate the Commission’s continued efforts in determining the Maintenance of Expenditure baseline amount. Once this amount is determined, the EAC and the Commission should make appropriate determination that these baseline amounts have been exceeded by Commission expenditures in each fiscal year.

Finding No. 6 – Unsupported Costs

The Office did not provide adequate documentation to support the allowability of one expenditure.

Office of Management and Budget Circulars and Guidance, Cost Principles for State, Local, and Indian Tribal Governments 2 CFR § 225, Appendix A.C.1.j states, “To be allowable under Federal awards, costs must meet the following general criteria: (j) Be adequately documented.”

The Uniform Administrative Requirements for Grants and Cooperative Agreements with State and Local Governments 41 CFR § 105-71.120 (b)(7) (The “Common Rule”) section states that, “Accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contracts and subgrant award documents, etc.”

The Office was unable to provide adequate documentation to support one of the 104 transactions sampled. For this transaction, the Office was unable to provide the invoice. This transaction was recorded in 2005. The Office indicated that the retention period for documentation is ten years, therefore the supporting invoice was disposed of.

The Office expended \$54,000 of HAVA funds for this transaction.

Recommendation:

We recommend that the EAC require the Office to transfer to the election fund \$54,000 for the unsupported cost cited above.

Elections Commission Response:

Regulation No. 23 for the Preservation of Fiscal Natural Documents or Necessary for the examination and verification of accounts and Audit review, mention in its legal base the following: “This Regulation is promulgated in accordance with the authority conferred on the Secretary of the Treasury by Article 4 (2) of Act. No. 5, approved on December 8, 1955, as amended, which establishes the conservation and Disposal program of Public Documents.”

In the guide to fix periods of conservation to tax documents mentions that the documents related to collection such as the following:

C-Arbitration statement

Investigated and settlement by judicial action (Until the term granted to file an appeal expires or for 10 years from the date of the declaration of arbitration, whichever is greater.

D- Income Details

E- State of cost, fines and collection

F- Collection Invoices

G- Early settlement or funds

H- Licensing, franchising and bonding

I-Receipts

J-Notifications of payment or collection requirements

It periods of conservation will be six (6) years or an intervention of the Comptroller, whichever comes first.

The invoices requested by the transaction of Rock Solid Technologies (Correction of Expenses) whose sum ascends to \$54,000, could not be fully evidence because these invoices are dated fiscal year 2004-2005, we were able to submit part of the supporting documents of this transaction; but the invoices according to the regulations that govern us could be seized.

Auditor's Response:

The response provides for no additional documentation to support the Rock Solid Technologies expenditure in the amount of \$54,000.

Finding No. 7 – Unallowable Costs

The Office expended \$83,306 of HAVA funds for purposes that are not allowable under the award's terms and conditions or HAVA regulations.

HAVA Section 101(b)(1) states, "A State shall use the funds provided under a payment made under this section to carry out one or more of the following activities: (C) Educating voters concerning voting procedures, voting rights, and voting technology."

The EAC, in its Funding Advisory Opinion FAO-08-005, concluded that, "voter registration activities do not qualify for funding under the umbrella of improvements to the administration of elections for Federal office."

On December 2, 2008 the Acting Director, Division of HAVA Payments and Grants disallowed two purchases made by the Office. The Office expended \$50,085 of HAVA funds for the purchase of three mobile voter registration vans and \$33,221 for computer equipment and hardware to equip the mobile voter registration vans.

These expenses are not considered allowable under HAVA Section 101(b)(1).

Recommendation:

We recommend that EAC address and resolve the following recommendations that the Office transfer into the election fund \$83,306 for the unallowable costs cited above.

Elections Commission Response:

We are looking for supporting documents, to provide adequate evidence and comply all the findings of this federal Audit. We believe that the voter registration equipment was not supporting voter registration activities, but provided necessary equipment to enable the PR Commission to have an adequate voter registration capability much the same as the HAVA required statewide voter registration system. We look forward to work with the EAC to resolve the issue presented and discussed in this draft.

Auditor's Response:

We commend the Commission for their continued efforts in searching for the missing documentation. Once this documentation is located, the agency and EAC should ensure that such documents support the expenditures made with the HAVA funding.

We provided a draft of our report to the appropriate individuals of the Office of the Puerto Rico State Elections Commission. We considered any comments received prior to finalizing this report.

The Office responded on July 21, 2017 and generally agreed with the report's findings and recommendations. The EAC responded on July 24, 2017 and stated they will work with Puerto Rico's Elections Commission to ensure appropriate corrective action. The Office's complete response is included as Appendix A-1 and the EAC's complete response as Appendix A-2.

McBride, Lock & Associates, LLC performed the related audit procedures between May 2, 2016 and May 25, 2017.

(Original Signed by McBride, Lock & Associates, LLC)

McBride, Lock & Associates, LLC
May 25, 2017

APPENDIX A-1

Response of the Puerto Rico Secretary of State to the Draft Report



July 21, 2017

Patricia L. Layfield
Inspector General
U S Election Assistance Commission

Mr. Aaron Rhodenbaugh, CPA
McBride Lock & Associates, LLC.

Esteemed Ms. Layfield and Mr. Rhodenbaugh,

Please find Puerto Rico State Election Commission's comments to the draft report entitled *Administration of Payment Received Under the Help America Vote Act*.

As agreed, we submit our comments on each finding after the recommendations made by the auditors. Also, we make sure to submit the comments in the format as indicated in the transmittal letter of the Inspector General, Ms. Patricia L. Layfield.

We look forward to complying with every necessary requirement related to the final report of the HAVA audit.

Sincerely,


Maria D. Santiago Rodríguez
Interim President

Enclosure

APPENDIX A-2

Response of the U.S. Election Assistance Commission to the Draft Report



EAC RESPONSE TO THE DRAFT AUDIT:

OIG Performance Audit Report on the Administration of Payments Received Under the Help America Vote Act by the Puerto Rico State Elections Commission, dated June 2017

July 24, 2017

MEMORANDUM

To: Patricia Layfield, Inspector General

From: Brian D. Newby, Executive Director 

Subject: Draft Performance Audit Report – “Administration of Payments Received under the Help America Vote Act by the Puerto Rico State Elections Commission”

Thank you for this opportunity to review and respond to the draft audit report for the Puerto Rico State Elections Commission.

The Election Assistance Commission (EAC) appreciates the auditor’s detailed findings and recommendations outlined in the draft audit report and will work with Puerto Rico’s Elections Commission to ensure appropriate corrective actions are taken in a timely and complete manner.

APPENDIX B

Audit Methodology

AUDIT METHODOLOGY

Our audit methodology included:

- Assessing audit risk and significance within the context of the audit objectives.
- Obtaining an understanding of internal control that is significant to the administration of the HAVA funds and of relevant information systems controls as applicable.
- Identifying sources of evidence and the amount and type of evidence required.
- Determining whether other auditors have conducted, or are conducting, audits of the program that could be relevant to the audit objectives.

To implement our audit methodology, below are some of the audit procedures we performed.

- Interviewed appropriate Office employees about the organization and operations of the HAVA program.
- Reviewed prior single audit reports and other reviews related to the Office's financial management systems and the HAVA program for the period under review.
- Reviewed policies, procedures and regulations for the Office management and accounting systems as they relate to the administration of the HAVA program.
- Analyzed the inventory lists of equipment purchased with HAVA funds.
- Tested major purchases and the supporting documentation.
- Tested randomly sampled payments made with HAVA funds.
- Evaluated compliance with the requirements for accumulating financial information reported to the Commission on the financial status reports and progress reports, accounting for property, purchasing HAVA related goods and services, and accounting for salaries.
- Verified the establishment and maintenance of an election fund.
- Verified the State expenditures met the Maintenance of Expenditures requirement
- Conducted site visits to observe physical security/safeguard of equipment purchased with HAVA funds and ensure compliance with federal regulation.
- Verified that the matching requirement was timely met and matching expenditures met the prescribed criteria and allowability requirements of HAVA.
- Verified program income was properly accounted for and not remitted to the State's general fund.

APPENDIX C

**Monetary Impact
as of September 30, 2015**

MONETARY IMPACT AS OF SEPTEMBER 30, 2015

Description	Questioned Costs	Additional Funds for Program
Unsupported Costs	\$ 54,000	\$ -
Unallowable Costs	83,306	-
Total	\$ 137,306	\$ -