



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

**FINAL REPORT:**

**REVIEW OF THE ADMINISTRATION OF  
PAYMENTS RECEIVED UNDER THE  
HELP AMERICA VOTE ACT BY THE  
GEORGIA SECRETARY OF STATE**

**Report No.  
E-HP-GA-05-06  
July 2006**



U.S. ELECTION ASSISTANCE COMMISSION  
OFFICE OF INSPECTOR GENERAL  
1225 New York Ave. NW - Suite 1100  
Washington, DC 20005

July 12, 2006

Memorandum

To: Thomas Wilkey  
Executive Director

From: Roger La Rouche  
Acting Inspector General

A handwritten signature in blue ink that reads "Roger LaRouche".

Subject: Final Report on Review of the Administration of Payments Received Under the Help America Vote Act by the Georgia Secretary of State (Assignment No. E-HP-GA-05-06)

This report presents the results of the subject review. The objective of the review was to determine whether Georgia (1) managed Help America Vote Act (HAVA) funds in accordance with the *Uniform Administrative Requirements for Grants and Cooperative Agreements with State and Local Governments* and with the *Cost Principles for State, Local, and Indian Tribal Governments* and (2) complied with HAVA requirements for maintaining the election fund and sustaining the State's level of expenditures for elections.

The report concluded that Georgia administered the HAVA funds in accordance with the *Administrative Requirements* and the *Cost Principles* and that Georgia complied with the HAVA requirement for maintaining the State's level of expenditures for elections. However, Georgia did not fully comply with the requirement for the establishment of an election fund in that it established the fund in a commercial bank instead of the State Treasury. In a June 1, 2006 response to the draft report (Attachment 1), the Georgia Secretary of State concurred with the report's conclusions. In its reply (Attachment 2), the U.S. Election Assistance Commission (EAC) said that since the State had expended most of its HAVA funds and spent in excess of its matching requirement that it was not now necessary for Georgia to set up an election fund in the State Treasury. The EAC also replied that if Georgia receives additional HAVA funds, Georgia should be prepared to set up an election fund in the State Treasury.

Since the report does not contain any recommendations, no further response to the Office of Inspector General is required. The legislation, as amended, 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. Therefore, this report will be included in our next semiannual report.

If you have any questions about this matter, please call me at (202) 566-3100.

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## ***BACKGROUND***

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### ***HELP AMERICA VOTE ACT***

The Help America Vote Act of 2002 (HAVA) created the U.S. Election Assistance Commission (EAC or Commission) to assist states and insular areas<sup>1</sup> with the administration of Federal elections and to provide funds to states to help implement these improvements. HAVA authorizes payments to states 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 poll workers, and developing a state plan for requirements payments authorized by Title II.
- ✓ 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 standards; and for 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 5 percent of the total amount to be spent for such activities [activities for which requirements payments are made].” (Section 253(b)(5)).
- ✓ “Maintain the expenditures of the State for activities funded by the [requirements] 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.” (Section 254 (a)(7)).
- ✓ Establish an election fund for amounts appropriated by the state for “for carrying out the activities for which the requirements payment is made,” for the Federal requirements payments received, for “such other amounts as may be appropriated under law,” and for “interest earned on deposits of the fund.” (Section 254 (b)(1)).

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<sup>1</sup> The Commonwealth of Puerto Rico, American Samoa, Guam, and the United States Virgin Islands.

HAVA funds received and expended by Georgia are as follows:

***FUNDING FOR  
GEORGIA***

<i><u>TYPE OF PAYMENT</u></i>	<i><u>AMOUNT RECEIVED</u></i>	<i><u>EXPENDITURES</u></i>	
		<i><u>AMOUNT</u></i>	<i><u>AS OF</u></i>
101	\$7,816,328	\$1,936,398	12/31/05
102	\$4,740,448	\$4,740,448	12/31/03 <sup>2</sup>
251	\$64,748,170	\$56,885,208	12/31/05
Totals	\$77,304,946	\$63,562,054	

***FINANCIAL  
MANAGEMENT  
REQUIREMENTS***

In Georgia, HAVA payments are administered by the Secretary of State (SOS). To account for the payments, HAVA requires states to maintain records that are consistent with sound accounting principles, fully disclose the amount and disposition of the payments, identify project costs financed with the payments and with other sources, and will facilitate an effective audit.

In addition, the Commission notified states of other management requirements. Specifically, that states must:

- ✓ Comply with the Uniform Administrative Requirements for Grants and Cooperative Agreements with State and Local Governments (also known as the “Common Rule” and published in 41CFR105-71).
- ✓ Expend payments in accordance with cost principles for establishing the allowability or unallowability of certain items of cost for federal participation issued by the Office of Management and Budget in Circular A-87.
- ✓ Follow the requirements of the Cash Management and Improvement Act.
- ✓ Submit annual financial reports on the use of Title I and Title II payments.

***OBJECTIVE***

The objective of our review was to determine whether Georgia (1) managed Help America Vote Act (HAVA) funds in accordance with the Uniform Administrative Requirements for Grants and Cooperative Agreements with State and Local Governments (the Common Rule) and the Cost Principles for State, Local, and Indian Tribal

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<sup>2</sup> Georgia reported that it expended all its Section 102 funds in 2003 and, therefore, did not report any additional expenditure of Section 102 funds in 2004 or 2005.

Governments (Office of Management and Budget Circular A-87) and (2) complied with HAVA requirements for maintaining the election fund and sustaining the State's level of expenditures for elections.

The part of the audit that covered expenditures focused on:

- ✓ Accumulating the financial information reported to the EAC on Standard Forms 269.
- ✓ Accounting for salaries.
- ✓ Purchasing goods and services.
- ✓ Accounting for property.
- ✓ Accounting for matching costs.
- ✓ Spending by counties.
- ✓ Charging indirect costs.

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## ***RESULTS OF REVIEW***

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### ***SUMMARY***

We found that Georgia administered its HAVA funds in accordance the Common Rule and OMB Circular A-87.<sup>3</sup> We also found that Georgia complied with the HAVA requirement for maintaining the State's level of expenditures for elections but did not fully comply with the requirement for the establishment of an election fund.

### ***ELECTION FUND***

Sections 254(a)(5) and (b)(1) of HAVA require a state to establish an election fund in the treasury of the state government which consists of state appropriations for HAVA activities, the requirements payments, and interest for carrying out the activities for which the requirements payment are made to the State. In regard to state appropriations, Section 253 (a) requires a state to certify, among other things, that it has appropriated 5 percent of the total amount to be spent for activities authorized for the use of requirements payments.

While Georgia established an election fund for the deposit of HAVA payments and related interest, the account was not established in the state treasury and did not include Georgia's appropriation of its 5 percent matching contribution. Georgia's fiscal year 2003 appropriation for the Secretary of State included an approximate \$3.4 million increase "to expand the Georgia voter education program, including 13 positions, in preparation for the statewide uniform electronic voting system authorized by SB [Senate Bill] 213." Office of Secretary of State officials told us that the \$3.4 million increase was Georgia's matching contribution. However, the \$3.4 was not deposited

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<sup>3</sup> Georgia did not use HAVA funds from EAC for indirect costs or for subgrants to counties.

into the election fund.

During our review, we found that in fiscal years 2003, 2004, and 2005, the Secretary of State reported that it spent approximately \$6 million in state matching funds for statewide uniform voting and education. This amount exceeds its \$3.4 million matching requirement by about \$2.6 million and more than offsets any interest lost as a result of not depositing its \$3.4 million match in the election fund.

Regarding the amount of HAVA funds and interest still available for expenditure, we found that the March 31, 2006 balance of unobligated funds was approximately \$960,000.

We discussed this situation with the Executive Director of the Commission and asked whether the Commission wanted Georgia to set up an Election Fund in the state treasury, as required by HAVA. The Executive Director told us that given that the State had expended most of the HAVA funds and spent in excess of its matching requirement that he did not believe that it was now necessary for Georgia to set up an election fund in the state treasury. Accordingly, we make no recommendation regarding this matter.

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**SCOPE AND METHODOLOGY**

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To accomplish our objective, we reviewed

- ✓ The prior single audit report and other reviews related to the Secretary of State's financial management systems and the HAVA program for the last 3 years.
- ✓ Policies, procedures and regulations for Georgia's management and accounting systems as they relate to the administration of HAVA programs.
- ✓ The State Plan required by HAVA and an organizational chart of the SOS.
- ✓ Inventory lists of all equipment purchased with HAVA funds.
- ✓ Major purchases.
- ✓ Supporting documents maintained in the accounting system for payments made with HAVA funds.
- ✓ Appropriations and expenditure reports for State funds used to maintain the level of expenses for elections at least equal to the amount expended in fiscal year 2000 and to meet the five percent matching requirement for section 251 requirements payments.
- ✓ Information regarding source/supporting documents kept for maintenance of effort and matching contributions.

We also interviewed appropriate Georgia employees about the organization and operation of the HAVA program.

We conducted our review in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. As such, we included tests and procedures as considered necessary under the circumstances to determine whether the Secretary of State administered HAVA payments in accordance with applicable requirements. Because of inherent limitations, a study and evaluation made for the limited purposes of our review would not necessarily disclose all weaknesses in administering HAVA payments.



Secretary of State  
214 State Capitol  
Atlanta, Georgia 30334

**Cathy Cox**  
SECRETARY OF STATE  
(404) 656-2881

June 1, 2006

U.S. Election Assistance Commission  
Office of Inspector General  
Mr. Roger La Rouche  
Acting Inspector General  
1225 New York Ave., N. W. – Suite 1100  
Washington, DC 20005

Dear Mr. La Rouche:

We have reviewed the draft Report No.E-HP-GA-05-06 of the U. S. Election Assistance Commission. It is our understanding that the draft report provides a review of the administration of payments under the Help America Vote Act by the Georgia Secretary of State Office which will appear in the final audit report.

We concur with the results of the review and would like to take this opportunity to once again thank the Commission for its part in providing the federal funds that improved the voting systems in Georgia.

My staff has expressed how much they appreciated the opportunity to work with you and Mr. Joseph Ansnick. Please contact us if you have any further questions.

Sincerely,

A handwritten signature in cursive script, appearing to read "Cathy Cox".

Cathy Cox

Cc: Laura Meadows, Assistant Secretary of State  
Kathy Rogers, Director, Secretary Of State Elections Division



**U.S. ELECTION ASSISTANCE COMMISSION**  
**1225 New York Ave. NW – Suite 1100**  
**Washington, DC 20005**

**MEMORANDUM**

FROM:  Tom Wilkey, Executive Director  
TO: Curtis Crider, Deputy Inspector General  
DATE: June 14, 2006  
SUBJECT: Georgia Review, Report No. E-HP-GA-05-06

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Please be advised that I have reviewed the above-referenced response and the reply of the Georgia Secretary of State's office and concur with the findings of the Office of the Inspector General.

Please note that I also concur as stated in the last paragraph of the report that given the fact that the state had expended most of the HAVA funds and spent in excess of the matching requirements, that no further recommendation is necessary unless and until such time in the future that the state may be in a position of receiving additional HAVA monies. We would recommend, therefore, that the state be prepared to institute these procedures in the future.

ccs: Julie Thompson-Hodgkins  
Edgardo Cortez

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## **To Report Fraud, Waste and Abuse Involving the U.S. Election Assistance Commission or Help America Vote Act Funds**

By Mail: U.S. Election Assistance Commission  
Office of Inspector General  
1225 New York Ave. NW - Suite 1100  
Washington, DC 20005

E-mail: [eacoig@eac.gov](mailto:eacoig@eac.gov)

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