



EAC MANAGEMENT DECISION:

Resolution of the OIG Audit Report on the Administration of Payments Received Under the Help America Vote Act by the State of Oregon, for the Period May 1, 2003, Through August 1, 2008, Report No. E-HP-OR-07-08

September 15, 2010

Summary of Decision

Actions necessary for the Oregon Secretary of State's Election Division (SOS-ED) to resolve the audit finding and implement the recommendations are summarized below:

- (1) Ensure that the property listings of HAVA funded equipment owned by the state reflect accurate information as prescribed by the state fixed asset guidelines.
- (2) Instruct the counties to ensure that the property listings of HAVA funded equipment in their possession reflect accurate information as prescribed by 41 CFR 105-71.132.
- (3) Make an assessment of all idle equipment acquired with HAVA funds at both the state and county level to determine appropriate disposition thereof.

BACKGROUND

The EAC is an independent, bipartisan agency created by the Help America Vote Act (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.

AUDIT HISTORY

The OIG issued an audit report on the SOS-ED's administration of payments received under HAVA on June 22, 2009. The report presented one finding pertaining to the maintenance of comprehensive property inventories.

In preparing the audit report, the auditors issued Notices of Findings and Recommendations (NFRs) to the SOS-ED. The SOS-ED summarized its responses to the NFRs and the associated recommendations as a response to the audit report.

AUDIT RESOLUTION

During testing of the existence of HAVA purchased equipment to the inventory documentation provided by the Secretary of State staff, the auditors noted equipment discrepancies at two state locations and at five of the nine counties visited.

In accordance with the *Uniform Administrative Requirements for Grants and Cooperative Agreements With State And Local Governments* 41 CFR §105-71.132(b), a State will use, manage, and dispose of equipment acquired under a grant by the State in accordance with State laws and procedures. The Oregon SOS's Business Services Division Desk Manual contains several extensive procedures for recording and tracking Fixed Assets, including the staff positions responsible for various aspects of the process, to ensure that all assets meeting the criteria set forth are properly managed and controlled. The policy sets the minimum amount for capitalization at \$5,000; however, items determined to be "walkable" are required to be inventoried if the cost exceeds \$500.

The counties must conform to federal rules, and the *Uniform Administrative Requirements for Grants and Cooperative Agreements With State and Local Governments* 41 CFR § 105-71.132, which states that property records must be maintained that include a description of the property, serial number or other identification number, the source of property, who holds the title, the acquisition date, and costs of the property, percentage of federal participation in the cost of the property, the locations, use and condition of the property, and any ultimate disposition date including the date of disposal and sale price of the property.

RECOMMENDATIONS:

Auditors recommended that the Secretary of State's Office:

- 1) Ensures that the property listings of HAVA funded equipment owned by the state reflect accurate information as prescribed by the state fixed asset guidelines.
- 2) Instructs the counties to ensure that the property listings of HAVA funded equipment in their possession reflect accurate information as prescribed by 41 CFR §105-71.132.
- 3) Makes an assessment of all idle equipment acquired with HAVA funds at both the state and county level to determine appropriate disposition thereof.

SOS'S RESPONSE:

The SOS' Election Division Director stated that, in general, they agreed with the finding and recommendations and implemented the following actions:

- 1) The Business Services Division had already taken steps to improve the information recorded.
- 2) Copies of 41 CFR §105-71.132 were provided to all county election offices and the SOS' HAVA Manager conducted a training session on the subject matter at the February 2009, Oregon Association of County Clerks meeting.
- 3) The Business Services Division has completed the assessment and counties have been instructed on the proper disposition procedures for surplus equipment.

EAC MANAGEMENT DECISION

The EAC generally agrees with the finding and recommendations. In response to the audit, counties have been asked by the SOS-ED for serial and model numbers of printers that are part of the vote tally equipment. As updated information is received regarding the equipment from counties, it is recorded on the master inventory sheet to show the equipment has not been sent to surplus or destroyed. The state is going through all old paperwork to ensure that all items are listed on the master inventory lists. The lists will be sent to counties to verify and update the information.

The EAC verified that copies of 41 CFR §105-71.132 were provided to the county clerks. The information has been reviewed at recent county clerks conferences.

Based on the response from the SOS-ED, the EAC considers this matter resolved and closed.