



EAC MANAGEMENT DECISION:

Resolution of the OIG Audit Report on the Administration of Payments Received Under the Help America Vote Act by the Rhode Island and Providence Plantations Secretary of State's Election Division, for the Period May 1, 2003 Through June 30, 2008, Report No. E-HP-RI-05-07

September 30, 2010

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 administration of payments received under the Help America Vote Act (HAVA) by the Rhode Island Secretary of State (SOS) on September 30, 2009. With noted exceptions, the audit concluded the SOS generally accounted for and expended HAVA funds in accordance with the HAVA requirements and complied with the financial management requirements established by the U.S. Election Assistance Commission (EAC) during the period May 1, 2003 through June 30, 2008. The SOS also complied with Section 251 requirements. The exceptions noted in the audit were:

- Financial Status Reports filed with the EAC did not contain all of the required information.
- HAVA receipts and disbursements, prior to June 2006, were co-mingled in the state's accounting system, and were not individually coded to Section 101 and 251, as required by HAVA.
- The SOS did not have adequate documentation to support personnel expenditures of \$189,852.
- Fourteen of the 39 cities and towns election boards (localities) in the State indicated they use HAVA funded equipment for non-HAVA related activities.
- The State did not contribute its matching requirement to the Section 251 HAVA fund on a timely basis resulting in lost interest.

All corrective actions required in this audit are to be completed before November 30, 2010.

I. Financial Reporting

The Financial Status Reports, SF269, filed with the Election Assistance Commission to report the sources and uses of HAVA funds did not include all of the required information. Interest earned, maintenance of effort, and state matching funds were not reported on Form SF 269 for the appropriate periods.

RECOMMENDATION:

Ensure that the Financial Status Report, SF 269 contains complete and accurate information prior to filing, as identified on EAC's website.

SOS'S RESPONSE:

The SOS concurred with the recommendation.

EAC MANAGEMENT DECISION

EAC agrees with the finding and recommendation. Revised SF 269 forms were filed with the EAC. Reporting by the SOS continues to be complete and accurate. EAC considers this matter closed.

II. Financial Records

HAVA receipts and expenditures were commingled in the state's accounting system through June 30, 2006 and were not individually coded as Section 101 and 251 funds.

In preparing the Financial Status Report, SF 269, it was necessary for the staff to evaluate the entries in the accounting records for allocation to the appropriate fund, utilizing Excel worksheets to accumulate HAVA data for tracking purposes. Beginning in July 2006, the state implemented a new accounting system that provided coding to classify expenditures in appropriate categories. However, as of June 30, 2008, the accounting data utilized by the election office to account for HAVA financial activity did not reconcile to the election fund balances provided by the Department of Administration from the state's accounting system.

RECOMMENDATION:

The SOS should implement procedures to ensure that the HAVA data downloaded from the state's accounting system is reconciled to the election fund balances prior to the preparation of Financial Status Reports, SF 269.

SOS'S RESPONSE:

The SOS concurred with the recommendation.

EAC MANAGEMENT DECISION:

The EAC agrees with the finding and recommendation. EAC will verify procedures are in place to ensure that HAVA data downloaded from the state's accounting system is reconciled to the election fund balances prior to the preparation of Financial Reports. EAC will verify the use of cost centers to code transactions for allocation to specific programs.

III. Personnel Charges

Since Fiscal Year 2004, through April 2007, a total of \$189,852 in HAVA funds have been used to pay for salaries of three employees which were included as questioned costs since there was no documented support for time spent on HAVA activities.

RECOMMENDATION:

The SOS should coordinate resolution of the \$189,852 in questioned costs with the EAC.

SOS'S RESPONSE:

The SOS disputed the question raised in the recommendation, and stated that, although not as transparent as the new time-sheet system, documentation acquired from employee time logs and calendar notations favorably resolved these questioned costs.

EAC MANAGEMENT DECISION:

The EAC will work with the SOS to determine if the notations and other information available are sufficient to justify charges to HAVA.

IV. Property Usage

The Secretary of State used HAVA funds to purchase computer equipment for each county to be used to access the state's Centralized Voter Registration System (CVRS). The state owns the equipment but has given control of the equipment to the localities. There were no policies or procedures to ensure that the costs are allocated between HAVA approved activities and other usage.

RECOMMENDATION:

The SOS should coordinate with the EAC to determine the percentage of non-HAVA use of the CVRS equipment and to allocate the cost of equipment purchased with federal funds to HAVA and non-HAVA related activities.

SOS'S RESPONSE:

The SOS concurred with the recommendation.

EAC MANAGEMENT DECISION:

The EAC will coordinate with the SOS to ascertain non-HAVA uses of computer equipment to determine to what extent, if any, equipment use should be allocated.

V. Principal and Interest on State Match

HAVA requires that the election fund include federal funds received by the State as well as the five percent state matching funds that allow the State to qualify for federal HAVA Section 251 funds. Furthermore, interest earned from the investment of the monies must also be deposited into the election fund. The timely deposit of interest earnings produces a compounding effect that adds additional funds to the program.

The SOS did not comply with the requirement to make funds available for state matching requirements and was unaware that interest earnings would have to be deposited to the credit of the HAVA program on the matching shortfall.

RECOMMENDATION:

The audit report recommended that the SOS:

1. Work with the EAC to determine the in-kind payments that qualify for meeting the state matching requirements.
2. Compute the amount of compounded interest earnings due the election fund on the shortfall of state matching funds up to the date at which time the full matching requirement was met, giving credit for the payments preceding the receipt of Section 251 funds.
3. Compute the amount of additional interest due on the earnings determined in (2.) above until the date on which the lost funds are deposited to the election fund.

SOS'S RESPONSE:

The SOS concurred with the recommendations.

EAC MANAGEMENT DECISION:

The EAC will work with the SOS to resolve the issue of additional interest due on the state matching funds.