



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

**FINAL REPORT:**

**Administration of Payments Received  
Under the Help America Vote Act by the  
Alabama Secretary of State**

**APRIL 30, 2003 THROUGH JANUARY 31, 2010**

**Report No.  
E-HP-AL-06-10  
January 2011**



**U.S. ELECTION ASSISTANCE COMMISSION**  
**OFFICE OF INSPECTOR GENERAL**  
**1201 New York Ave. NW - Suite 300**  
**Washington, DC 20005**

January 28, 2011

Memorandum

To: Thomas Wilkey  
Executive Director

From: Curtis W. Crider  
Inspector General

Subject: Final Audit Report - Administration of Payments Received Under the Help America Vote Act by the Alabama Secretary of State (Assignment Number E-HP-AL-06-10)

We contracted with the independent certified public accounting firm of Clifton Gunderson LLP (Clifton Gunderson) to audit the administration of payments received under the Help America Vote Act (HAVA) by the Alabama Secretary of State (SOS). The contract required that the audit be done in accordance with U.S. generally accepted government auditing standards. Clifton Gunderson is responsible for the attached auditor's report and the conclusions expressed therein.

In its audit of the SOS, Clifton Gunderson concluded that 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. However, the audit disclosed that the SOS did not maintain personnel certifications, failed to maintain adequate property records or security over HAVA funded equipment, did not properly approve expenditures for sub-awards to counties, incurred questioned costs by using HAVA funds for non-qualifying promotional activities, and failed to deposit state and county program income from the sale of voter registration lists to the HAVA fund.

In its June 30, 2010 response (Appendix A-1), the SOS agreed with the report's findings and recommendations, except for depositing the program income to the election fund, and provided corrective action.

On October 29, 2010, the EAC response (Appendix A-2) indicated general agreement with the report findings and recommendations, and stated that they would work with the state to resolve the disagreement. 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 finding and recommendation included in this report by March 28, 2011. Your response should include information on actions taken or planned, targeted completion dates, and titles of officials responsible for implementation.

The legislation, as amended, creating the Office of Inspector General (5 U.S.C. § App.3) requires semiannual reporting to Congress on all audit reports issued, actions taken to implement audit recommendations, and recommendations that have not been implemented. Therefore, this report will be included in our next semiannual report to Congress.

If you have any questions regarding this report, please call me at (202) 566-3125.

**PERFORMANCE AUDIT REPORT**  
**ADMINISTRATION OF PAYMENTS RECEIVED**  
**UNDER THE**  
**HELP AMERICA VOTE ACT**  
**BY THE**  
**STATE OF ALABAMA**

**April 30, 2003 Through January 31, 2010**

**UNITED STATES**  
**ELECTION ASSISTANCE COMMISSION**

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

**EXECUTIVE SUMMARY**

Clifton Gunderson LLP was engaged by the U.S. Election Assistance Commission (EAC or the Commission) Office of Inspector General to conduct a performance audit of the Alabama Secretary of State (SOS) for the period April 30, 2003 through January 31, 2010 to determine whether the SOS used payments authorized by Sections 101, 102, and 251 of the Help America Vote Act of 2002 (HAVA or the Act) in accordance with HAVA and applicable requirements; accurately and properly accounted for program income and property purchased with HAVA payments; and met HAVA requirements for Section 251 funds for an election fund and for a matching contribution. We did not include a determination of whether the SOS and its subgrantees met the requirements for maintenance of a base level of state outlays because the Commission is reviewing its guidance on the applicability of the maintenance of a base level of state outlays to the SOS's subgrantees. Since there was no definitive guidance during the audit period, Maintenance of Effort was not included in the scope of our audit procedures. On June 28, 2010, the Commission issued its revised guidance on the Maintenance of Expenditures (MOE) requirement, which includes a provision that the states will have 12 months from the date of the policy requirement to submit a MOE plan to the EAC.

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 Governments* (also known as the "Common Rule") as published in the Code of Federal Regulations 41 CFR 105-71.
- Expend payments in accordance with cost principles for establishing the allowance or disallowance of certain items of cost for federal participation issued by the Office of Management and Budget (OMB) in Circular A-87.
- Submit detailed annual financial reports on the use of Title I and Title II payments.

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. 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.

Except for the lack of personnel certifications, lack of approval of expenditures for sub-awards to counties, failure to maintain adequate property records, lack of security over HAVA funded equipment, questionable use of HAVA funds for promotional activities, and failure of the state and counties to deposit program income related to the sale of voter registration lists to the HAVA fund, as discussed below, our audit concluded that the SOS generally accounted for and expended HAVA funds in accordance with the requirements mentioned above for the period

from April 30, 2003 through January 31, 2010. The exceptions needing SOS's management attention are as follows:

- The SOS lacked appropriate documentation or semi-annual certifications to support personnel costs charged to HAVA totaling \$62,695.92.
- Controls over sub-awards granted to counties did not ensure that expenditures were allowable in accordance with the guidelines established by the SOS for five of the 47 counties selected for testing.
- Property records were not maintained in accordance with federal regulations and the equipment was not properly secured. Controls over equipment purchased with HAVA funds at the counties did not ensure retention of physical possession of all equipment.
- Controls over expenditures were not adequate to ensure expenditures were allowable in accordance with Section 101 HAVA funds.
- The SOS has not deposited program income generated by the state and the counties from the sale of voter registration lists into the HAVA election fund.

We have included in this report as Appendix A-1 the SOS management's formal response on June 30, 2010, to our notice of findings and recommendations (NFRs). In an October 14, 2010 email response to the draft report, SOS management confirmed that there were no changes to the previous responses. Although we have included management's written responses to our NFRs, such responses have not been subjected to the audit procedures and, accordingly, we do not provide any form of assurance on the appropriateness of the responses or the effectiveness of the corrective actions described therein.

The draft report, including the SOS responses, was provided to the Executive Director of the EAC for review and comment. The EAC responded on October 29, 2010, and generally agreed with the report's findings and recommendations and the Alabama official's response. Although the Alabama official disagreed that the program income should be deposited to the election fund, the EAC stated that they would work with the state to resolve the issue. The EAC's complete response is included as Appendix A-2.

## **BACKGROUND**

HAVA created the Commission to assist states and insular areas with the improvement of 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 Title III of HAVA for uniform and nondiscriminatory election technology and administration requirements, improving the administration of elections for federal office, educating voters, training election officials and poll workers, and developing a state plan for requirements payments.
- Title I, Section 102 payments are available only for the replacement of punch card and lever action voting systems.
- Title II, Section 251 requirements payments are for complying with Title III requirements for voting system equipment; 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 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)].

### **AUDIT OBJECTIVES**

The objectives of our audit were to determine whether the Alabama SOS:

1. Used payments authorized by Sections 101, 102, and 251 of HAVA in accordance with HAVA and applicable requirements;
2. Accurately and properly accounted for property purchased with HAVA payments and for program income;
3. Met HAVA requirements for Section 251 funds for an election fund and for a matching contribution. We did not determine whether the SOS met the requirement for maintenance of a base level of state outlays, because the Commission is reviewing its guidance on the applicability of the maintenance of a base level of state outlays to subgrantees of the SOS. Since there was no definitive guidance during the audit period, Maintenance of Effort was not included in the scope of our audit procedures. On June 28, 2010, the Commission issued its revised guidance on the Maintenance of Expenditures (MOE) requirement, which includes a provision that the states will have 12 months from the date of the policy to voluntarily submit an amended MOE plan to the EAC.

In addition, to accounting for HAVA payments, the Act 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 HAVA funds to comply with certain financial management requirements, specifically:

1. Comply with the *Uniform Administrative Requirements for Grants and Cooperative Agreements with State and Local Governments* (also known as the “Common Rule”) as published in the Code of Federal Regulations at 41 CFR 105-71.
2. Expend payments in accordance with cost principles for establishing the allowance or disallowance of certain items of cost for federal participation issued by the OMB.
3. Submit detailed annual financial reports on the use of Title I and Title II payments.<sup>1</sup>

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<sup>1</sup> EAC requires states to submit annual reports on the expenditure of HAVA Sections 101, 102, and 251 funds. Through December 31, 2008, for Sections 101 and 102, reports were due on February 28 for the activities of the previous calendar year, and, for Section 251, reports were due by March 30 for the activities of the previous fiscal

## **SCOPE AND METHODOLOGY**

We audited the HAVA funds received and disbursed by the SOS from April 30, 2003 through January 31, 2010 (81-month period) as shown in the following table:

TYPE OF PAYMENT	FUNDS RECEIVED					FUNDS DISBURSED	DATA AS OF
	EAC PAYMENT	PROGRAM INCOME	STATE MATCH	INTEREST EARNED	TOTAL AVAILABLE		
Section 101	\$ 4,989,605	\$ 0	\$ 0	\$ 351,437	\$ 5,341,042	\$ 2,042,254	1/31/2010
Section 102	51,076	0	0	3,597	54,673	919	1/31/2010
Section 251	<u>35,866,513</u>	<u>0</u>	<u>1,998,335</u>	<u>2,451,203</u>	<u>40,316,051</u>	<u>28,287,366</u>	1/31/2010
Total	<u>\$40,907,194</u>	\$ 0	<u>\$1,998,335</u>	<u>\$2,806,237</u>	<u>\$45,711,766</u>	<u>\$30,330,539</u>	1/31/2010

Our audit methodology is set forth in Appendix B.

## **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. 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.

Except for the lack of personnel certifications, lack of approval of expenditures for sub-awards to counties, failure to maintain adequate property records, lack of security over HAVA funded equipment, questionable use of HAVA funds for promotional activities, failure of the state and counties to deposit program income related to the sale of voter registration lists to the HAVA fund, and the determination of whether the SOS and its subgrantees met the requirement for maintenance of a base level of state outlays which were specifically omitted from our scope of work as explained above, our audit concluded that the SOS generally accounted for and expended HAVA funds in accordance with the requirements mentioned above. The SOS has taken action on or is working to resolve the exceptions described below as set forth in Appendix A-1:

### **I. Personnel Certifications**

The SOS did not complete semi-annual certifications for the one full-time employee that worked on the HAVA activities for the period of August 31, 2005 through September 30, 2006. There were also no timesheets available to verify the charged hours. However, the SOS did obtain the appropriate semi-annual certifications for the one full-time employee for the period from October

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previous calendar year, and, for Section 251, reports were due by March 30 for the activities of the previous fiscal year ending on September 30. Beginning in calendar year 2009, all reports will be effective as of September 30, 20XX for the fiscal year ended that date and will be due by December 31, 20XX.

1, 2007 through September 30, 2009. There were no salaries and benefits charged to the HAVA election fund for the period of October 1, 2006 through September 30, 2007.

The United States Election Assistance Commission (EAC) has no assurance that salaries and fringe benefit costs of \$62,695.92 paid to SOS staff using HAVA program funds were incurred for work done solely on HAVA activities during the time period of August 31, 2005 through September 30, 2006.

OMB Circular A-87, in Attachment B Section 8(h) (3) requires that:

(3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.

The SOS serving during the period in question was not aware of this requirement.

**Recommendation:**

1. We recommend that the EAC resolve with the SOS the appropriate corrective action regarding the lack of periodic certifications for the questioned period that personnel costs were paid from HAVA program funds.

**SOS's Response:**

The SOS's Office agreed to the finding and stated that the former SOS did not sign or keep proper records as required by OMB Circular A-87. The current SOS took office in January 2007, and, in October 2007, the SOS's Office began paying one full-time employee from HAVA funds. Since that period, the SOS's Office has maintained semi-annual certifications of work done by that employee, which are signed by the SOS.

**II. Sub-Awards to Counties**

The SOS distributed sub-awards to counties to reimburse them for the purchase of voting equipment necessary to comply with the HAVA. The counties seeking a sub-award from the SOS were required to submit an application, which included documentation and affidavits to support the amount of the requested sub-award as follows:

1. The voting equipment was purchased under the Association of County Commissions of Alabama (ACCA) bid agreement.
2. The type of voting equipment that was purchased and the amount paid for the equipment.
3. Copies of invoices from the vendor and cancelled checks that show payment for the voting equipment purchased.
4. A copy of the minutes at which the County Commission approved the purchase of the voting equipment.
5. A signed and notarized affidavit that the voting equipment purchased is certified by the Alabama Electronic Voting Committee; has a certification number from either the

National Association of State Election Directors (NASSED) or the EAC; and complies with Section 301 of HAVA.

6. A signed and notarized affidavit that the county complied with and will continue to comply with all local, state and federal laws governing HAVA sub-awards.

To ensure the application received from the counties was complete the SOS completed an internal checklist. When the internal checklist was complete the SOS approved the sub-award amount to be remitted to the county.

During the testing of the HAVA sub-awards to counties, it was determined that five of the 47 sub-awards selected for testing did not comply with the administrative rules outlined above. We determined that two counties did not provide the proper approval of their County Commission, one county did not provide a signed and notarized affidavit that they complied with and will continue to comply with all local, state and federal laws, the SOS did not complete an internal checklist for one county, and the SOS reimbursed one county excess funds.

Under Circular A-87 Amendment A, Part C, No. 1, costs must meet the following general criteria:

- Be authorized or not prohibited under State or local laws or regulations.
- Conform to any limitations or exclusions set forth in these principles, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items.
- Be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit.
- Be adequately documented.

Improper approvals or lack thereof could lead to sub-awards made with HAVA funds for expenditures that might not be allowable costs.

### **Recommendations:**

We recommend that the SOS:

2. Determine whether the sub-awards in question are allowable HAVA expenditures, and secure appropriate approvals.
3. Review all sub-awards to counties to ensure that amounts paid were adequately supported by documentation and all payments were for qualified HAVA purposes.
4. Request reimbursements from counties for all unauthorized payments.

### **SOS's Response:**

The SOS's Office agrees with the finding, and stated that the former SOS administered the grant program prior to the current SOS taking office in January 2007. The SOS's Office will determine whether the sub-awards in question are allowable HAVA expenditures and secure appropriate approvals. The SOS's Office will also review all sub-awards to counties to ensure that amounts paid were adequately supported by documentation and all payments were for qualified HAVA purposes.

### III. Property Management

#### Voting Equipment

##### Property Records:

During our review of the counties' equipment/property management practices, we determined that four of the seven counties we visited did not comply with the requirements of 41 CFR 105-71.132 regarding the identification of equipment purchased with federal funds. The counties could not locate equipment that was included on the inventory listings because the listings had not been updated when equipment was replaced. The counties do not maintain property records that include the following attributes: 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 sales price of the property.

Moreover, the acquisition cost of ten printers included on the SOS's statewide voter register system equipment listing was misstated. The equipment listing indicated that the cost of each printer was \$500; however the invoice indicated a cost of \$698.

*The Uniform Administrative Requirements for Grants and Cooperative Agreements with State and Local Governments* 41 CFR § 105-71.132(d)(1) 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 data including the date of disposal and sale price of the property.

The State Code of Alabama Section 36-16-8 requires additional information to be provided on equipment records such as custodial agency, responsible officer or employee, and state property control marking.

##### Security:

During our site visits we noted that two of the seven counties visited did not comply with the requirements of 41 CFR § 105-71.132(d)(3) with regards to ensuring that adequate security is provided at the location where the equipment is stored.

One county locks the doors to the room where the voting equipment is stored at night but the doors are open during the day and accessible to the public who use the adjoining room. Another county locks the doors to the rooms where the equipment is stored, but there are numerous personnel with keys that can access the voting equipment. Neither of the counties has standard security practices such as visitor logs, cameras or alarms.

*The Uniform Administrative Requirements for Grants and Cooperative Agreements with State and Local Governments* 41 CFR § 105-71.132(d)(3) states that a control system must be developed to ensure adequate safeguards to prevent loss, damage or theft of the property. Any loss, damage or theft shall be investigated.

## **Recommendations:**

We recommend that the SOS:

5. Require staff of the counties to conduct a physical inventory of all HAVA-funded equipment in their possession and use the results to correct its property records.
6. Ensure that the property management records of the counties have at least the minimum information required in the federal requirements of 41 CFR § 105-71.132 and the Alabama State Code Section 36-16-8.
7. Ensure that the property records are updated to reflect the correct acquisition cost for the ten printers.
8. Ensure that the property is secured in a manner consistent with the federal requirements of 41 CFR § 105-71.132.

## **SOS's Response:**

The SOS's Office corrected the clerical error of the cost of ten printers listed in the property management system. The SOS's Office will also implement corrective action as follows:

1. Require staff of the counties to conduct a physical inventory of all HAVA-funded equipment in their possession and use the results to correct its property records.
2. Ensure that the property management records of the counties have at least the minimum information required in the federal requirements of 41 CFR § 105-71.132 and the Alabama State Code Section 36-16-8.
3. Ensure that the property is secured in a manner consistent with the federal requirements of 41 CFR § 105-71.132.

## **IV. Expenditures**

The SOS expended \$26,459 in Section 101 HAVA funds for the "Take a Kid to Vote" project. This included \$23,229 for a booklet which was written for children who are not of voting age and \$3,230 for a radio advertisement which urged voters to take their children with them to the polls. The radio advertisement did not contain educational information. These expenditures are questionable uses of Section 101 HAVA funds.

Furthermore, we cannot conclude on the full amount expended on the "Take a Kid to Vote" project due to the vague descriptions on the invoices received from radio vendors for advertising costs.

HAVA Section 101(b)(1), subparts (B),(C) and (D) prescribe that HAVA funds can be used to improve the administration of elections for federal office; educate voters concerning voting procedures, voting rights, and voting technology; and training election officials, poll workers, and election volunteers.

SOS officials were not aware that the "Take a Kid to Vote" project may not be an allowable cost under Section 101 of HAVA.

**Recommendation:**

9. We recommend that the EAC work with the SOS to resolve the issue of whether the costs associated with the “Take a Kid to Vote” project of approximately \$26,459 are allowable uses of HAVA funds. If it is determined that the project is not an allowable use of HAVA funds, the SOS should also determine if any additional HAVA funds have been spent on the “Take a Kid to Vote” project.

**SOS’s Response:**

The SOS’s Office agrees to the finding. The previous SOS developed and approved the “Take a Kid to Vote” project. The SOS’s Office will reimburse the HAVA Fund for the cost of the “Take a Kid to Vote” project in the amount of \$26,459.

**Auditor’s Response:**

The SOS’s Office should determine if there were any additional HAVA funds spent on the “Take a Kid to Vote” project.

**V. Program Income**

The SOS has not deposited program income, generated by the SOS and the counties from the sale of voter registration lists that was in excess of the costs associated with preparing the lists, into the HAVA election fund. The SOS and three of the counties we visited prepared these lists from the SOS’s HAVA funded voter registration system. The program income has also not been reported to the EAC as required.

The state generates program income of approximately \$88,000 per fiscal year from the sale of voter registration lists. The voter registration system was complete as of the fiscal year ended September 30, 2008. The state does not know the amount of expenditures they incurred to generate the voter registration lists.

The *Uniform Administrative Requirements for Grants and Cooperative Agreements with State and Local Governments*, 41CFR § 105-71.125, states that program income means gross income received by the subgrantee directly generated by a grant supported activity, or earned only as a result of the grant agreement during the grant period. Additionally, 41CFR § 105-71.141 states that each grantee will report program outlays and program income on a cash or accrual basis as prescribed by the awarding agency.

The *EAC Advisory 07-002 – Program Income and Set-off of Cost Incident to Program Income* authorizes states to dedicate program income to the HAVA grant and use the income for purposes and under conditions of the grant.

According to SOS election officials, the program income was deposited in an account to defray the cost of voter registration within the state. Under county law, counties are required to deposit the income into the counties’ general funds.

**Recommendations:**

We recommend that:

10. The EAC work with the SOS to resolve the conflict between federal, state and county law which requires that program income be deposited in non-HAVA funds at the state and county levels.
11. The SOS provide guidance to the counties on how to properly record and report program income received from the sale of voter registration lists generated from the state's voter registration database. The SOS should also report such income to the EAC.

**SOS's Response:**

The SOS's Office strongly disagrees with the finding. The SOS does not believe the net income from the sale of voter registration lists should be deposited into the HAVA election fund. The information contained in the voter registration lists is owned by the state of Alabama. While HAVA funds were used to upgrade the technology for managing the voter list, it is still the property of the state of Alabama and state law provides that the income from the sale of the vote list should be deposited into a specific state fund within the Secretary of State's Office (Ala. Code, 1975 §§ 17-4-34(10); 17-4-38) long before HAVA was enacted.

**Auditor's Response:**

We will defer the resolution of the conflict between federal and state law to the EAC.

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We provided a draft of our report to the appropriate individuals of the Alabama SOS and the Commission. We considered any comments received prior to finalizing this report.

The EAC responded on October 29, 2010, and generally agreed with the report's findings and recommendations and the Alabama official's response. Although the Alabama official disagreed that the program income should be deposited to the election fund, the EAC stated that they would work with the state to resolve the issue. The EAC's complete response is included as Appendix A-2.

CG performed its work between February 23, 2010 and March 11, 2010.

*Clifton Henderson LLP*

Calverton, Maryland  
July 9, 2010

## Secretary of State Responses to Audit Results<sup>2</sup>

### Response to NFR #1

The Secretary of State's Office agrees to the finding. Then-Secretary of State Nancy Worley did not sign or keep proper records as required by OMB Circular A-87. Secretary of State Beth Chapman took office in January 2007. In October 2007 the Secretary of State's Office started paying one full time employee out of HAVA funds. Since that period, the Secretary of State's Office has kept semi-annual certifications of work done by that employee and signed by Secretary Chapman.

### Response to NFR #2

The Secretary of State's Office agrees with the finding. Then-Secretary of State Nancy Worley administered the grant program prior to Secretary of State Beth Chapman taking office in January 2007. The Secretary of State's Office will validate the sub-awards in question as valid HAVA expenditures, and secure appropriate approvals. The Secretary of State's Office will also review all sub-awards to counties to ensure that amounts paid were adequately supported by documentation and all payments were for qualified HAVA purposes.

### Response to NFR #3

The Secretary of State's Office has already corrected the clerical error of the cost of ten printers listed in the property management system. The Secretary of State's Office will take the following actions:

4. Require staff of the counties to conduct a physical inventory of all HAVA-funded equipment in their possession and use the results to correct its property records.
5. Ensure that the property management records of the counties have at least the minimum information required in the federal requirements of 41 CFR § 105-71.132 and the Alabama State Code Section 36-16-8.
6. Ensure that the property is secured in a manner consistent with the federal requirements of 41 CFR § 105-71.132.

### Response to NFR #4

The Secretary of State's Office agrees to the finding. Then-Secretary of State Nancy Worley developed and approved of the "Take a Kid to Vote" project. The Secretary of State's Office will reimburse the HAVA Fund for the cost of the "Take a Kid to Vote" project, \$26,459.

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<sup>2</sup> The responses to our NFR (Notice of Findings and Recommendations) were received in writing. On October 14, 2010, Alabama election officials responded in an email that the responses included in this Appendix were still applicable and no additional comments would be submitted.

## Response to NFR #5

The Secretary of State's Office strongly disagrees with the finding. The Secretary of State's Office does not believe the net income from the sale of voter registration lists should be deposited into the HAVA election fund. The information contained in the voter registration lists is owned by the State of Alabama. While HAVA funds were used to upgrade the technology for managing the voter list, it is still the property of the State of Alabama and state law provides that the income from the sale of the vote list should be deposited into a specific state fund within the Secretary of State's Office (Ala. Code, 1975 §§ 17-4-34(10); 17-4-38) long before HAVA was enacted.



**EAC RESPONSE TO THE DRAFT AUDIT:**

*OIG Performance Audit Report on the Administration of Payments Received Under the Help America Vote Act by the State of Alabama, for the Period April 30, 2003 Through January 31, 2010.*

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October 29, 2010

MEMORANDUM

To: Curtis Crider  
Inspector General

From: Thomas Wilkey  
Executive Director

Subject: Draft Performance Audit Report – “Administration of Payments Received Under the Help America Vote Act by the State of Alabama”.

Thank you for this opportunity to review and respond to the draft audit report for Alabama.

The Election Assistance Commission (EAC) generally concurs with the results of the review and recommendations. The EAC will work with the Alabama Secretary of State (SOS) to ensure appropriate corrective action. Where the SOS disagrees with the finding that net income from the sale of voter registration lists should be deposited into the HAVA election fund, the EAC will work with the SOS to address the issue.

**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.
- Understanding 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 SOS employees about the organization and operations of the HAVA program.
- Reviewed prior single audit report and other reviews related to the state's financial management systems and the HAVA program for the last two years.
- Reviewed policies, procedures and regulations for the SOS's management and accounting systems as they relate to the administration of HAVA programs.
- Analyzed the inventory lists of equipment purchased with HAVA funds.
- Tested major purchases and supporting documentation.
- Tested randomly sampled payments made with the HAVA funds.
- Verified support for reimbursements to local governments (counties, cities, and municipalities).
- Reviewed certain state laws that impacted the election fund.
- Examined appropriations and expenditure reports for state funds used to meet the five percent matching requirement for section 251 requirements payments.
- Evaluated compliance with the requirements for accumulating financial information reported to the Commission on the financial status reports, Form SF-269, accounting for property, purchasing HAVA related goods and services, and accounting for salaries.
- Verified the establishment and maintenance of an election fund.

- Conducted site visits of selected counties to perform the following:
  - Observe equipment purchased with HAVA funds for proper accounting and safeguarding

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***MONETARY IMPACT AS OF JANUARY 31, 2010***

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<b><i>Description</i></b>	<b><i>Questioned Costs</i></b>	<b><i>Additional Funds for Program</i></b>
Expenditures – “Take a Kid to Vote” booklet	\$26,459	\$0
Program Income – Sale of Voter Registration Lists	\$0	\$0 <sup>3</sup>
Semi-annual certifications of full-time employment on HAVA activities not filed	\$62,696	\$0
Totals	<u>\$89,155</u>	<u>\$0</u>

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<sup>3</sup> The SOS could not determine the amount of the expenditures that were incurred to generate the voter registration lists. Therefore, the amount of additional funds for the program, related to the sale of the voter registration lists could not be determined since the additional funds is net of program income and the cost to generate the lists.

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## **OIG's Mission**

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