



## **EAC MANAGEMENT DECISION:**

*Resolution of the OIG Audit Report on the Administration of Payments Received Under the Help America Vote Act by the Arkansas Secretary of State, for the Period April 16, 2003 Through June 30, 2009, Report No. E-HP-AR-03-09*

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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](http://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 Arkansas Secretary of State (SOS) on February 26, 2010. The audit concluded that, except for the lack of personnel certifications and the maintenance of comprehensive equipment inventories, the SOS generally complied with the financial management requirements established by the U.S. Election Assistance Commission. The SOS also complied with Section 251 requirements. All corrective actions required in this audit are to be completed before November 30, 2010.

### **I. Personnel Certifications**

The State of Arkansas's Office of the Secretary of State (SOS) did not complete semi-annual certifications for employees that worked full-time or solely on HAVA activities for the period during which the SOS was paying personnel costs with HAVA program funds (July 16, 2003 through June 30, 2007). No HAVA program funds were used to pay personnel costs during the period from July 1, 2007 to the end of the audit period (June 30, 2009). All personnel costs during the time period after July 1, 2007 were paid through the State of Arkansas' general fund.

#### **RECOMMENDATION:**

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

#### **SOS'S RESPONSE:**

The SOS contacted the EAC both by phone and via email, and was advised that, unless the EAC specifically requests the information, the SOS is not required to send the certifications at this time. The SOS is now aware of the requirement and has updated the personnel certifications. If federal funds are spent on personnel salaries in the future and, if applicable, the SOS will prepare the required certifications and submit to the appropriate agency.

#### **EAC MANAGEMENT DECISION:**

The EAC will resolve with the SOS the appropriate corrective action regarding the lack of periodic certifications for the period personnel costs were paid by HAVA program funds.

### **II. Property Management**

During testing of the existence of HAVA purchased equipment to the inventory documentation provided by the SOS staff, discrepancies were noted at five of eight counties visited. The serial numbers on four of the equipment items at two of the

counties did not match the serial numbers per the counties' written inventory records. At three of the counties, they did not have written records or physical possession of a total of five equipment items that the SOS indicates were transferred to them.

Also noted during review of the counties' equipment/property maintenance records, the counties were not complying with the requirements of 41 CFR 105-71.132 with regards to the identification and management of equipment purchased with federal funds. The counties did not maintain property records that included the attributes outlined in 41 CFR 105-71.132.

### **RECOMMENDATIONS:**

We recommend that the SOS:

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. Issue guidance to the jurisdictions that identifies 41 CFR 105-71.132(d) as the regulation that describes the property records to be prepared and maintained, and implement procedures to periodically monitor compliance with this regulation.

### **SOS'S RESPONSE:**

The SOS will prepare and send correspondence to all Arkansas counties regarding the requirements of the Arkansas County Accounting Law 14-25-106, "Fixed Assets and Equipment Records" and the Code of Federal Regulations 41 CFR 105-71.132. In addition, the SOS will send a template for the counties to use when establishing this inventory tracking procedure/policy. The template will include the following: Description of Property, Serial Number, Who Holds Title, Acquisition Date, Cost of the Property, Percentage of Federal Participation, Location of Property, and Use and Condition. The SOS will conduct a physical inventory on all HAVA-funded equipment in the possession of the counties in order to correct and properly record any discrepancies.

### **EAC MANAGEMENT DECISION:**

The EAC will verify correspondence was sent to all counties and appropriate actions by the SOS were taken to comply with State fixed asset guidelines and 41 CFR 105-71.132 including a physical inventory and any needed corrections to county inventories.