



EAC MANAGEMENT DECISION:

Resolution of the OIG Audit Report on the Administration of Payments Received Under the Help America Vote Act by the Louisiana Secretary of State for the Period June 18, 2003 Through December 31, 2009, Report No. E-HP-LA-03-10

March 28, 2011

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.

Please note with two vacancies, the Commission presently lacks a quorum to conduct appeals. The 30 day period to file an appeal remains in place. However, the 60 day period for a decision will toll until a Commission quorum is reestablished.

AUDIT HISTORY

The OIG issued an audit report on the administration of payments received under the Help America Vote Act (HAVA) by the Louisiana Secretary of State (SOS) on January 28, 2011. The audit concluded that the SOS generally accounted for and expended HAVA funds in accordance with the requirements for the period from June 18, 2003 through December 31, 2009. The audit identified findings and recommendations related to strengthening internal controls and strengthening controls over equipment purchased with HAVA funds.

Finding 1 – Internal Control Deficiencies

Several internal controls over HAVA expenditures were designed improperly or were ineffective. Although the costs identified were allowable under the HAVA program, the state is not complying with its policies and procedures. The auditors noted the following weaknesses related to expenditures:

- Fuel was purchased for a rental van using the pre-paid fuel option rather than using a fuel card or state run pumps, without prior approval in the form of a purchase request.
- Changes to the timesheets were not initialed by the employee or supervisor. Additionally, the procedures for changing time already reported do not provide proper cut off between pay periods.
- One employee's travel expenditure authorization form was not dated.

Recommendations:

The auditors recommended that the SOS take the following actions:

1. Ensure purchasing guidelines for fuel are followed.
2. Require employees whose timesheets are changed to initial the correction and for the supervisor to approve the change.
3. Ensure that the state follows its Travel Policy and Procurement Procedures in approving travel authorizations.

SOS's Response:

FUEL PURCHASES:

In accordance with the Louisiana Travel Guide, pre-paid fuel options are only allowed when the traveler can document that the pre-purchased amount was necessary and the amount charged by the rental company is reasonable in relation to the local gasoline cost. The NFR cites one instance in which an employee used the pre-paid fuel option in violation of state travel regulations.

On June 8, 2010, the Department of State emailed to all employees the Procedures for Renting Vehicles advising them of supplemental procedures that must be followed when procuring gasoline for rented motor vehicles. In addition, these procedures were placed

on the Department's intranet available to all employees. These procedures require that temporary fuel cards be obtained from the Department's Fleet Manager to be used when purchasing fuel for rented motor vehicles.

EMPLOYEE TIMESHEETS:

The Department's time and attendance procedures have been revised to require that all changes to time and attendance sheets be initialed by both the employee and the supervisor. All employees and timekeepers have been notified of the requirement.

EMPLOYEE TRAVEL AND EXPENDITURE AUTHORIZATION:

The Department's procedures require dates on all travel authorization forms. All employees have been reminded of the requirements for completing travel authorizations and the Accounting staff has been instructed to ensure that travel authorization forms include all required information.

EAC Response:

The SOS has revised procedures where appropriate and reminded staff of existing procedures. EAC will follow up with the SOS to ensure proper implementation of the procedures.

Finding 2 – Property Management

At each of the six parishes visited, the auditors selected a random sample of the HAVA funded equipment to verify its existence. At four parishes the auditors were unable to locate all of the items in the test groups as follows:

- One laptop computer and one AVC Touchscreen machine were not located.
- Seven items could not be located, because the inventory of equipment items at headquarters does not have unique location codes to identify the specific department or location within headquarters.
- One AVC Touchscreen machine was not located in the warehouse and was later found in another parish without a record of move sheet.
- One laptop computer was not located in a Registrar of Voters office.

Further, the auditors were informed that two stolen HAVA funded laptop computers were reported to the police as required; however, the auditors were not provided any police reports to support the theft. The stolen property was properly removed from the inventory listing, and the SOS Election Office replaced the stolen laptops with state purchased laptop computers, which were not included on the inventory listing.

The SOS's office staff explained that the auditors' testing was taking place during an election cycle when machines are frequently moved around from parish to parish. Since the inventory system is maintained centrally in Baton Rouge by the SOS, the move sheets which indicate the current location of the items had not been entered into the system. The auditors also discovered that some location codes are not unique to one site. A

location code may encompass multiple buildings or rooms within a site. For example, East Baton Rouge includes the central office, which has multiple offices/locations at the site. Some of the difficulty finding equipment may have been due to a location code not being specific enough to a building or room at a site.

In the visits, the auditors examined physical access to the warehouses. Overall, the auditors noted that security at the warehouses is minimal. Access doors are locked and bolted with only warehouse personnel having access. However, there are no standard security procedures consistently practiced among the parishes such as visitor logs, cameras or alarms.

Recommendations:

1. Require staff of the SOS to conduct a periodic physical inventory (quarterly, bi-annually or annually whichever is appropriate) of all HAVA-funded equipment in the possession of the parishes and use the documented results to correct its property records.
2. Add additional or unique identifying location codes for all areas within a parish.
3. Ensure warehouse staff is aware and trained on documentation requirements for moving equipment.
4. Ensure that the property management records of the parishes have at least the minimum information required in the Common Rule.
5. Strengthen security at the warehouses.

SOS's Response:

The SOS was in general agreement with the recommendations and provided corrective actions. However, they disputed the finding and recommendation regarding security issues.

INVENTORY LISTINGS:

- Additional location codes will be added to the inventory listings to enable better tracking of equipment inventory.
- Property records have been adjusted to properly account for equipment that was relocated, either within the parishes or between the parishes.
- The replacement laptop computers were added to the inventory listing.
- Clerical errors noted in the inventory observation have been corrected.

EQUIPMENT SECURITY:

The SOS disputed the recommendation regarding the security issues, and believes that their procedures are adequate. They provided a memorandum regarding the steps being taken to improve overall security of the voting equipment in the warehouse, which is included in Appendix A-1 of the Final Audit Report.

EAC Response:

EAC will work with the SOS to ensure that periodic physical inventory checks are conducted and listings are corrected. EAC will also ensure that appropriate security measures are in place at the warehouses.