



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

**ADMINISTRATION OF PAYMENTS
RECEIVED UNDER THE HELP AMERICA
VOTE ACT BY THE SECRETARY OF THE
COMMONWEALTH OF PENNSYLVANIA**

**Report No.
E-HP-PA-10-06
January 2007**



U.S. ELECTION ASSISTANCE COMMISSION
OFFICE OF INSPECTOR GENERAL
1225 New York Ave. NW - Suite 1100
Washington, DC 20005

January 10, 2007

Memorandum

To: Thomas Wilkey
Executive Director

From: Curtis W. Crider *Curtis W. Crider*
Inspector General

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

This report presents the results of the subject audit. The objectives of the audit were to determine whether Pennsylvania (1) expended Help America Vote Act (HAVA) payments in accordance with the Act and related administrative requirements and (2) complied with the HAVA requirements for replacing punch card or lever voting machines, for appropriating a 5 percent match for requirements payments, for establishing an election fund, and for maintaining state expenditures for elections at a level not less than expended in fiscal year 2000.

The report concluded that Pennsylvania generally complied with requirements and identified the following areas needing management attention:

- ✓ Pennsylvania did not have adequate documentation to support salary charges for six positions financed with HAVA funds resulting in questioned costs of \$562,513.
- ✓ Counties did not keep records that sufficiently accounted for equipment purchased with HAVA funds.
- ✓ Pennsylvania was unable to provide supporting documentation to show that it had met its maintenance of effort requirement for activities funded by Section 251 payments at a level not less than expended in the state fiscal year ending June 30, 2000.

In its December 18, 2006 response to the draft report (Appendix 3), Pennsylvania indicated that actions were underway to address the issues identified in the report. Regarding the \$526,513 in questioned costs for salaries, Pennsylvania certified that the

individuals in question were working on HAVA programs and established procedures for the completion of semiannual certifications for all HAVA funded positions. Pennsylvania also indicated that it was drafting policies and procedures to address the property related issues. Finally, based on a review of expenditures for its base year, Pennsylvania believes that it met the maintenance of effort requirement.

Please provide us with your written response to the recommendations included in this report by March 9, 2007. Your response should contain information on actions taken or planned, including target dates and titles of EAC officials responsible for implementing the recommendations.

Section 5(a) of the Inspector General Act (5 U.S.C. § App.1) requires the Office of Inspector General to list this report in its semiannual report to Congress.

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

BACKGROUND

HELP AMERICA VOTE ACT

The Help America Vote Act of 2002 (HAVA or the Act) created the U.S. Election Assistance Commission (EAC or 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 punchcard 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)).

**FUNDING FOR
PENNSYLVANIA**

HAVA funds received and expended by Pennsylvania are as follows:

<i>TYPE OF PAYMENT</i>	<i>AMOUNT RECEIVED</i>	<i>OUTLAYS</i>	
		<i>AMOUNT</i>	<i>AS OF¹</i>
101	\$11,323,168	\$ 7,292,798	12/31/05
102	22,916,952	0	12/31/05
251	100,578,829	10,166,601	09/30/05
Totals	\$134,818,949	\$17,459,399	

**FINANCIAL
MANAGEMENT
REQUIREMENTS**

Within the Pennsylvania Department of State (Department), HAVA programs are administered by the Bureau of Commissions, Elections and Legislation. To account for the 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 project costs financed with the payments and with other sources, and that will facilitate an effective audit.

In addition, the Commission notified states of other management requirements. Specifically, that states must:

- ✓ Comply with the *Uniform Administrative Requirements for Grants and Cooperative Agreements with State and Local Governments* (also known as the “Common Rule” and published in 41 CFR 105-71).
- ✓ Expend payments in accordance with cost principles for establishing the allowability or unallowability of certain items of cost for federal participation issued by the Office of Management and Budget (OMB) in Circular A-87.
- ✓ Submit annual financial reports on the use of Title I and Title II payments.

OBJECTIVE

The objectives of our audit were to determine whether Pennsylvania (1) expended HAVA payments in accordance with the Act and related administrative requirements and (2) complied with the HAVA requirements for replacing punch card or lever voting machines, for establishing an election fund, for appropriating a 5 percent match for requirements payments, and for maintaining state expenditures for

¹ EAC requires states to submit annual reports on the expenditure of Sections 101, 102, and 251 funds. For Sections 101 and 102, reports are due on February 28 for the activities of the previous calendar year. For Section 251, reports are due by March 30 for the activities of the previous federal fiscal year.

elections at a level not less than expended in fiscal year 1999.²

Specifically, we audited reported outlays shown on page 2 and reviewed controls to assess their adequacy over the expenditure of HAVA funds. We also evaluated compliance with certain administrative requirements for the following activities:

- ✓ Accumulating financial information reported to EAC on the Financial Status Reports (Standard Forms number 269).
- ✓ Accounting for property.
- ✓ Purchasing goods and services.
- ✓ Accounting for salaries.
- ✓ Charging indirect costs.
- ✓ Spending by counties.

We also determined whether Pennsylvania had complied with the requirements in HAVA for:

- ✓ Establishing and maintaining the election fund.
- ✓ Appropriating funds equal to five percent of the amount necessary for carrying out activities financed with Section 251 requirements payments.
- ✓ Sustaining the State's level of expenditures for elections.

RESULTS OF AUDIT

SUMMARY

We concluded that the Department generally accounted for and expended HAVA funds in accordance with requirements. However, we identified a need for the Department to improve its management procedures and/or processes to ensure that expenditures for payroll are adequately supported and equipment is properly managed and safeguarded. Because of insufficient supporting documentation, we classified expenditures for payroll of \$562,513 as questioned costs.

Regarding significant HAVA compliance requirements, we found that the Department met the requirements for establishing a state election fund and appropriating matching funds. We were not, however, able to determine whether the Department satisfied the requirement for maintaining state expenditures for activities funded by Section 251 payments at a level not less than expended in the state fiscal year ending June 30, 2000. This occurred because the state did not identify

² Pennsylvania uses the calendar year in which the fiscal year begins to designate the fiscal year; for example, fiscal year 1999 began on July 1, 1999, and ended on June 30, 2000.

fiscal year 1999 operations and expenditures for activities currently funded by Section 251 requirements payments and did not monitor State spending for such activities in subsequent years.

PAYROLL

The Department did not adequately support salary charges for six staff positions funded 100 percent by Help America Vote Act (HAVA) payments for the two-year period January 2004 through December 2005. Requirements for time distribution records are included in Office of Management and Budget Circular A-87, Appendix B.8.h (3). Specifically, Circular A-87 states that where employees are expected to work solely on a single Federal award, charges for their salaries and wages will be supported by semiannual certifications that the employees worked exclusively on that program for the period covered by the certification. The Department had not developed sufficient policy and procedures to ensure that semiannual certifications were prepared and submitted. The Department calculated that the total cost for salaries and benefits for these six positions for the period from January 2004 to December 2005 was \$562,513, and we classified this amount as a questioned cost.

Recommendations:

We recommend that the EAC require the Department to:

1. Establish policy and procedures to ensure that semiannual certifications are submitted.
2. Resolve the questioned costs of \$562,513.

Department Response:

The Department agreed that it did not prepare semiannual certifications during the period January 2004 through December 2005. To address the finding, the Department submitted a certification from the Commissioner of the Bureau of Commissions, Elections and Legislation. The Commissioner certified that the six employees whose salaries were questioned had worked full-time on HAVA programs. Also, the Department responded that it had established policies and procedures to ensure that the semiannual certifications are prepared.

OIG Comments:

We believe the actions taken by the Department are sufficient to support the questioned costs and to resolve Recommendation 1.

