

OFFICE OF INSPECTOR GENERAL

U.S. Election Assistance Commission

AUDIT OF THE HELP AMERICA VOTE ACT GRANTS AWARDED TO THE COMMONWEALTH OF PENNSYLVANIA

Report No. G22PA0014-22-07
September 22, 2022



HIGHLIGHTS

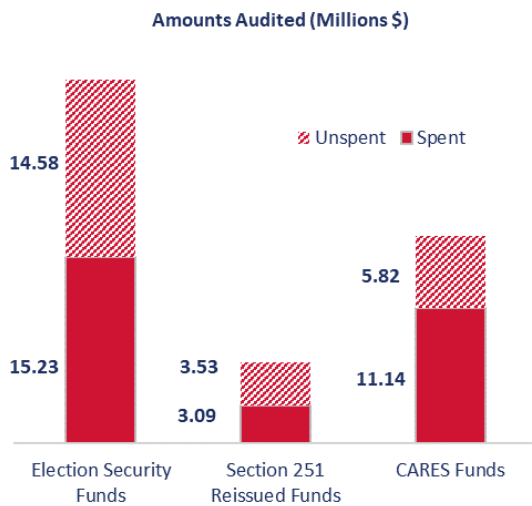
AUDIT OF THE HELP AMERICA VOTE ACT GRANTS AWARDED TO THE COMMONWEALTH OF PENNSYLVANIA

Report No. G22PA0014-22-07

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What OIG Audited

The Office of Inspector General, through the independent public accounting firm of McBride, Lock & Associates, LLC, audited funds received by the Commonwealth of Pennsylvania under the Help America Vote Act (HAVA), including state matching funds and interest earned, totaling \$53.4 million. This included Election Security, reissued Section 251, and Coronavirus Aid, Relief, and Economic Security (CARES) Act grants.



The **objectives** of the audit were to determine whether the Commonwealth of Pennsylvania:

- (1) used funds for authorized purposes in accordance with Section 101 and 251 of HAVA and other applicable requirements;
- (2) properly accounted for and controlled property purchased with HAVA payments; and
- (3) used funds in a manner consistent with the informational plans provided to EAC.

What OIG Found

The Pennsylvania Department of State generally accounted for and expended HAVA funds in accordance with applicable requirements and used the funds in a manner consistent with informational plans submitted during the audit period.

However, the Department (1) did not have timesheets to support \$80,026 in salary and fringe costs for three employees; (2) reimbursed a county \$15,198 for a purchase that was made before the approved budget period; and (3) did not ensure that four counties were properly maintaining property records.

What OIG Recommended

The Office of Inspector General made six recommendations to address the noted deficiencies:

- 1 Return unsupported payroll costs to the election fund.
- 2 Implement procedures and training to ensure correct payroll reporting.
- 3 Return costs incurred outside of the approved budget period to election fund.
- 4 Implement procedures and training to ensure compliant subaward reimbursements.
- 5 Implement procedures or training to ensure proper subrecipient monitoring.
- 6 Ensure that subrecipients keep compliant property records.

The Department has already taken action to resolve Recommendations 3 and 4. They will be closed upon report issuance.



OFFICE OF INSPECTOR GENERAL

U.S. Election Assistance Commission

DATE: September 22, 2022

TO: U.S. Election Assistance Commission, Interim Executive Director, Mark Robbins

FROM: U.S. Election Assistance Commission, Inspector General, Brianna Schletz

SUBJECT: Audit of the Help America Vote Act Grants Awarded to the Commonwealth of Pennsylvania (Report No. G22PA0014-22-07)

This memorandum transmits the final report on Help America Vote Act grants awarded to the Commonwealth of Pennsylvania. The Office of Inspector General contracted McBride, Lock & Associates, LLC, an independent certified public accounting firm, to conduct the audit. The contract required that the audit be performed in accordance with U.S. generally accepted government auditing standards. We monitored the firm's work to ensure that it adhered to those standards.

OIG has reviewed the actions taken by the Commonwealth of Pennsylvania in response to the report's six recommendations. Recommendations 3 and 4 will be closed upon report issuance. Please keep us informed of the actions taken on the report's remaining four recommendations, as we will track the status of their implementation.

We appreciate the assistance you and your staff provided to us during this audit.

cc: Commissioner Thomas Hicks, Chair
Commissioner Christy McCormick, Vice Chair
Commissioner Benjamin W. Hovland
Commissioner Donald L. Palmer

McBRIDE, LOCK & ASSOCIATES, LLC

Certified Public Accountants

Established 1980

Performance Audit Report

**Administration of Payments Received Under the Help America Vote Act by
the Pennsylvania Department of State**

Prepared for

**The United States Election Assistance Commission (EAC)
Office of Inspector General**

By

McBride, Lock & Associates, LLC

July 2022

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

EXECUTIVE SUMMARY

McBride, Lock & Associates, LLC was engaged by the United States Election Assistance Commission (EAC) Office of the Inspector General to conduct a performance audit of the of the administration of payments received under the Help America Vote Act (HAVA or the Act) by the Pennsylvania Department of State's Office (Office). The payments received by the Office are identified as Election Security, Section 251 Reissued, and the CARES Act. The scope of the audit includes: Election Security administration from inception on August 3, 2018 through September 30, 2020; Section 251 Reissued administration from inception on October 1, 2018 through September 30, 2020; CARES Act administration from inception on April 23, 2020 through December 31, 2020, including matching fund expenditures made after December 31, 2020. The objective of the audit was to determine whether the Office used payments authorized by Sections 101 and 251 of the Help America Vote Act of 2002 (the HAVA) in accordance with HAVA and applicable requirements; properly accounted for and controlled the funds and property purchased with HAVA payments; and, used the funds in a manner consistent with the budget plan provided to EAC.

In addition, the Commission requires states to comply with certain financial management requirements, specifically:

- Expend payments in accordance with Federal cost principles established by the Office of Management and Budget (OMB) – (2 CFR 200).
- Submit detailed annual financial reports on the use of Title I and Title II payments.
- Maintain documents and records subject to audit to determine whether payments were used in compliance with HAVA.

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.

Based on the audit procedures performed, except for the matters discussed below, we concluded that the Office generally accounted for and expended the Grant funds in accordance with the requirements mentioned above and for the periods mentioned above. The exceptions are as follows:

1. For 15 of 56 payroll charges selected for testing (\$53,031 of salary and \$26,995 of fringes) the employee did not maintain a timesheet supporting their efforts. The 15 payroll charges were for three employees.
2. One of 14 subaward reimbursements selected for testing included an election equipment invoice dated March 2017 in the amount of \$72,405 which was partially reimbursed in the amount of \$15,198 by the Office using 2020 Election Security Grant funds. March 2017 is before the approved budget period of the 2020 Election Security grant of December 21, 2019 – December 20, 2024.
3. The Office’s monitoring of subrecipients did not ensure that property records were maintained in compliance with 2 CFR 200. Four out of 67 counties were selected for physical observation of equipment. The four counties were Chester, Dauphin, Luzerne and Montgomery. These four counties represented \$2,413,828 of the State’s reported expenditures. None of the four counties had inventory listings in compliance with 2 CFR 200.313(d)(1).

We have included in this report as Appendix A, the Department of State’s written response to the draft report. Such response has not been subjected to audit procedures and, accordingly, we do not provide any form of assurance on the appropriateness of the response or the effectiveness of the corrective actions described therein.

BACKGROUND

The Help America Vote Act of 2002 (HAVA) created the U.S. Election Assistance Commission (Commission) to assist States and insular areas (hereinafter referred to as States) with improving the administration of federal elections and to provide funds to States to help implement these improvements. The Commission administers grants to States authorized by HAVA under Title I and Title 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; developing a state plan for requirements payments; improving, acquiring, leasing, modifying, or replacing voting systems, and methods for casting and counting votes; improving the accessibility and quantity of polling places; and establishing toll-free telephone hotlines that voters may use.
- Title II, Section 251 requirements payments are for complying with Title III requirements for voting system equipment; and addressing provisional voting, voting information, Statewide voter registration lists, and voters who register by mail.

The HAVA Election Security, Section 251 Reissued and CARES Act grants also require that states must:

- Maintain funds in a state election fund (as described in Section 104 (d) of HAVA).

- Expend payments in accordance with Federal cost principles established by the Office of Management and Budget (OMB) – (2 C.F.R. § 200).
- Submit detailed annual financial reports on the use of Title I and Title II payments. Reports must include a summary of expenditures aligned with budget categories in the grantee’s plan, a list of equipment obtained with the funds, and a description of how the funded activities met the goals of the plan.
- Provide matching funds of the Federal funds within a period stipulated by the award to be documented on the annual SF-425 submission
- Maintain documents and records subject to audit to determine whether payments were used in compliance with HAVA.

The Awardee – The Pennsylvania Department of State

The HAVA funds were awarded to the Pennsylvania Department of State. The Secretary of the Commonwealth is appointed by the Governor and confirmed by the Senate. The Secretary is Pennsylvania’s Chief Election Official.

Help America Vote Act Commonwealth of Pennsylvania State Plans

The Commonwealth of Pennsylvania’s HAVA budget narrative was prepared by the Acting Secretary of the Commonwealth.

Election Security 2018 and 2020

The main objective of the 2018 project funded by HAVA, as set forth in the budget letter, was to purchase all new voting systems that are certified to meet state and federal standards. The state issued an Invitation for Bid for vendors to submit proposals for these systems from which counties were able to choose. The counties were instructed that they must select new voting systems which meet the standards by December 31, 2019. The funds were distributed as reimbursements for expenditures made on voting equipment by the counties. The grant award and matching funds were distributed to counties proportionally based on numbers of registered voters officially certified by counties to the Office. Counties submitted to the state documentation of their acceptance of the award and proof of use for voting equipment replacement and upgrades.

The objective of the 2020 project funded by HAVA, as set forth in the budget letter, was to make \$7 million of the grant available as subgrants to the counties, divided proportionally based on numbers of registered voters in each county. Counties were required to submit documentation of their acceptance of the subgrants and proof of use for approved purposes in order to receive their funds.

The remaining \$8.1 million was to be expended directly by the Office for statewide efforts including post-election audit implementation, election security and technology enhancements for the voter registration and other cyber systems, training and support for election officials, communications to voters, and other technological enhancements to improve statewide election administration and security.

Section 251 Reissued

On July 30, 2019, the Office was informed of an interim administrative closeout of the HAVA Section 251 grant through September 30, 2018. On that date, the unexpended federal share and

program income was carried forward and reissued as a new grant. The funds were to be spent in accordance with Section 251.

CARES Act

The objective of the 2020 CARES Act project funded by HAVA, as set forth in the budget letter, was to use the funds to prevent, prepare for, and respond to COVID-19, domestically or internationally, for the 2020 Federal election cycle. The Office planned to provide public notification and education about the change in the date of the primary due to COVID-19 and how to vote by absentee or mail-in ballot, including mailings to voters and other paid communications; provide precinct protection supplies, including disinfectants and protective masks for election personnel and poll workers to mitigate the spread of COVID-19 at in-person polling locations; implement an accessible electronic ballot marking device tool to enable voters with disabilities to vote absentee or by mail; implement technology modifications to account for the changed primary date and other needs; and provide grants to counties for purposes such as the above as well as increased equipment, staffing, and other needs.

AUDIT OBJECTIVES

The objectives of our audit were to determine whether the Office:

1. Used funds for authorized purposes in accordance with Section 101 and Section 251 of HAVA and other applicable requirements;
2. Properly accounted for and controlled property purchased with HAVA payments; and
3. Used the funds in a manner consistent with the informational plans provided to EAC.

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

- Expend payments in accordance with Federal cost principles established by the Office of Management and Budget (OMB) – (2 CFR 200).
- Submit detailed annual financial reports on the use of Title I and Title II payments.
- Maintain documents and records subject to audit to determine whether payments were used in compliance with HAVA.

SCOPE AND METHODOLOGY

We audited the Election Security grant funds received and disbursed by the Office from August 3, 2018 through September 30, 2020. These funds are related to the appropriation of \$380 million under the Consolidated Appropriations Act (CAA), 2018 (P.L. 115-151) and \$425 million under the CAA, 2020 (P.L. 115-141). We audited the Section 251 grant funds reissued to and disbursed by the Office from October 1, 2018, through September 30, 2020. We audited the CARES Act

grant funds received and disbursed by the Office from April 23, 2020, through December 31, 2020 including matching fund expenditures made after December 31, 2020. These funds are related to the \$400 million authorized by the U.S. Congress under the Coronavirus Aid, Relief and Economic Security Act (P.L. 116-136). The scope of activity audited is shown in the following table:

Description	Election Security Funds	Section 251 Reissued Funds	CARES Act Funds
Funds Received from EAC	\$ 28,651,723	\$ 6,113,085	\$ 14,223,603
State Matching Funds	673,808	-	2,713,652
Program Income	488,894	503,131	20,107
Total Funds	\$ 29,814,425	\$ 6,616,216	\$ 16,957,362
Less Disbursements	(15,232,130)	(3,088,501)	(11,135,612)
Fund Balance	<u>\$ 14,582,295</u>	<u>\$ 3,527,715</u>	<u>\$ 5,821,750</u>

Program income in the above table consists entirely of interest earned on the federal funds as reported in the program income section of the federal financial reports.

The Office’s Election Security expenditures detailed by budget and program category, Section 251 Expenditures detailed by spending category, and CARES Act expenditures detailed by cost category are included as Appendix C.

In planning and performing our audit, we identified the following internal control components and underlying internal control principles as significant to the audit objective:

Objective	Component	Principle
1	Control Activities	Selects and develops control activities Selects and develops general controls over technology Deploys through policies and procedures
	Information and Communication	Uses Relevant Information Communicates Internally Communicates Externally
2	Control Activities	Selects and develops control activities Selects and develops general controls over technology Deploys through policies and procedures
	Information and Communication	Communicates Externally
3	Control Activities	Selects and develops control activities Selects and develops general controls over technology Deploys through policies and procedures

We assessed the design, implementation, and operating effectiveness of these internal controls and identified deficiencies that we believe could affect the Office’s ability to use funds for authorized

purposes, and properly account for and control property. The internal control deficiencies we found are discussed in the Audit Results section of this report.

Additionally, for the components and principles which we determined to be significant, we assessed the internal controls and compliance with laws and regulations necessary to satisfy the audit objective.

However, because our review was limited to these internal control components and underlying principles, it may not have disclosed all internal control deficiencies that may have existed at the time of this audit.

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.

Based on the audit procedures performed, we concluded that the Office generally accounted for HAVA funds in accordance with the requirements mentioned above and used the funds in a manner consistent with informational plans submitted during the audit period. The exceptions to applicable compliance requirements are described below.

Finding No. 1 – Payroll Documentation

For 15 of 56 payroll charges selected for testing (\$53,031 of salary and \$26,995 of fringes) the employee did not maintain a timesheet supporting their efforts. The 15 payroll charges were for three employees.

The Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) 2 CFR 200.430(i)(1) states that, “Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must: (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated. (ii) Be incorporated into the official records of the non-Federal entity; (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities.”

In general, the Office’s elections staff enters their time as appropriate for the areas they work on each biweekly payroll period. However, in these 15 instances, the employees did not enter their time and their efforts were billed by the Office to the HAVA grant.

Proper documentation of expenses ensures that charges to the grant are accurate, allowable, and properly allocated.

Recommendation

We recommend that the EAC require the Office:

1. Transfer into the election fund \$80,026 for the unsupported payroll costs cited above.
2. Implement procedures and training which ensure that payroll costs are supported with records that accurately reflect the work performed and are incorporated into the official records before being allocated to the HAVA grants.

Secretary of State's Response:

Staff time for the 15 documented payroll transactions could not be substantiated through paper documentation that work completed was relative to the Help America Vote Act activities. However, the noted staff were tasked with completion of work for the Commonwealth's Statewide Uniform Registry of Electors (SURE) new IT system, SUREVote. Because there is no written documentation on the work completed, the Department has returned all personnel expenditures previously allocated to the grant totaling \$80,026 to the state election fund on July 29, 2022.

Additionally, the Department will increase the frequency of information sharing and training as it relates to payroll recording. Previously, once annually, the Bureau of Finance and Operations Division of Fiscal Management would provide information and updates regarding timesheet processing to bureau management on the proper account code information as it relates to all activities within the bureau, including work on federal grants. The frequency of communications will increase to a quarterly reminder with the next informational push occurring in September 2022. Subsequent follow-up will also occur in December 2022, March 2023, and June 2023. This will be completed annually as part of the new procedure. Lastly, as part of the notifications, supervisors will be reminded to review employee timesheets as part of the internal validation process to ensure that employees are accurately reporting hours worked to appropriate elections programs.

Auditor's Response:

The proposed corrective actions, if implemented, would be sufficient to resolve the findings.

Finding No. 2 – Unallowable Costs

One of 14 subaward reimbursements selected for testing included an election equipment invoice dated March 2017 in the amount of \$72,405 which was partially reimbursed in the amount of \$15,198 by the Office using 2020 Election Security Grant funds. March 2017 is before the approved budget period of the 2020 Election Security grant of December 21, 2019 – December 20, 2024.

The Uniform Guidance at 2 CFR 200.403(h) states that costs must meet the following general criteria to be allowable, "Cost must be incurred during the approved budget period."

The Office approved a partial reimbursement on June 16, 2020 of the March 2017 invoice in the amount of \$15,198.

The audit noted \$15,198 of questioned costs which were determined to not be allowable per the Uniform Guidance at 2 CFR 200.403(h).

Recommendation

We recommend that the EAC require the Office to:

3. Transfer into the election fund \$15,198 for the questioned costs cited above.
4. Develop and implement policies and procedures and provide training to ensure that subaward reimbursements charged to HAVA are for costs that are allowable, allocable and reasonable to HAVA.

Secretary of State's Response:

Due to the high volume of state and federal grants for county boards of elections, the Department sent an email to the county (Susquehanna) to request the use of a different allowable expense to replace that of the one falling outside the grant period timeline of the 2020 Election Security Grant. The Commonwealth issued a state Grant for Election Modernization Systems (GEMS) to counties to reimburse 60% of expenses as it related to modernizing aging voting equipment. Since the county was still responsible for the remaining 40% of the expenditures, funds from the submitted expenses under GEMS were used to reallocate the previously awarded federal grant to an expense within the allowable timeframe. The county confirmed the expense was covered under county election dollars and not by other grant dollars.

Additionally, the Department will require the use of the Grant Expenditure Worksheet for county reimbursement requests. While this form has been provided for optional use in all previous grant award reporting, requiring its use along with the addition of listing the purchase date will allow Department staff the ability to do an additional verification that expenditures are within the grant period timeline of the grant.

Auditor's Response:

The proposed corrective actions, if implemented, would be sufficient to resolve the findings. The resolution process should determine the allowability of the alternate expense proposed by the Office to replace the questioned cost.

Finding No. 3 – Subrecipient Monitoring

The Office’s monitoring of subrecipients did not ensure that subrecipient property records were maintained in compliance with 2 CFR 200. Four out of 67 counties were selected for physical observation of equipment. The four counties were Chester, Dauphin, Luzerne and Montgomery. These four counties represented \$2,413,828 of the State’s reported expenditures. None of the four counties had inventory listings in compliance with 2 CFR 200.313(d)(1).

The Uniform Guidance at 2 CFR 200.332(d) states that all pass-through entities must: “Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved.” 2 CFR 200.313(d)(1) requires that “property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the FAIN), who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.”

The Office did not perform activity monitoring sufficient to ensure that subrecipients were maintaining property records in compliance with Federal statutes and the terms and conditions of the subaward resulting in the following:

- Chester County’s inventory listing consisted of description of property and serial number.
- Dauphin County’s inventory listing consisted of description of property, serial number, and location.
- Luzerne County’s inventory listing consisted of description of property, serial number, acquisition date, cost of the property, and location.
- Montgomery County did not provide an inventory listing.

Proper monitoring of subrecipients ensures that equipment purchased with federal funds is being used and disposed of in accordance with federal regulations.

Recommendation

We recommend that the EAC require the Office to:

5. Implement procedures or training to ensure that all subrecipients are properly monitored in accordance with federal statutes and the terms and conditions of the subaward.
6. Ensure all property purchased by subrecipients with federal funds is placed on a compliant property record.

Secretary of State’s Response:

The Department is currently working to issue a new subrecipient grant award from the Commonwealth’s 2022 Election Security Grant, specifically to be used by counties to purchase

needed equipment for the new SUREVote voter registration and election management system. Because this is a new grant award specifically to be used to purchase equipment, the Department will use the opportunity to reiterate to counties the importance of compliance with 2 CFR 200.313(d)(1). All existing Help America Vote Act grant awards signed by the counties note the requirement of compliance with the law. To ensure that occurs, the new grant award will include detailed information directly from the online eCFR with the correspondence on how to obtain grant dollars.

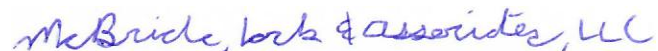
Additionally, the Department has created a template that county's must use to record the required information of equipment purchased with federal grant dollars for tracking purposes. This will be provided and will be required to be returned when requesting grant dollars, and then biennially thereafter. Internal policies on the biennial review of county equipment purchased with federal dollars are still being reviewed as well as determination of specific bureau responsibilities.

Auditor's Response:

The proposed corrective actions, if implemented, would be sufficient to resolve the findings.

The Office responded on August 18, 2022, and generally agreed with the report's findings and recommendations. The EAC responded on August 23, 2022, and stated they will work with the Pennsylvania Department of State to implement and complete appropriate corrective action on the findings. The Office's complete response is included as Appendix A-1 and the EAC's complete response as Appendix A-2.

McBride, Lock & Associates, LLC performed the related audit procedures between July 20, 2021, and July 19, 2022.



McBride, Lock & Associates, LLC
Kansas City, Missouri
July 19, 2022

APPENDIX A-1

**Response of the
Pennsylvania Department of State
to the Draft Report**



Commonwealth of Pennsylvania
Department of State
302 North Office Building
(717) 787-6458

MEMORANDUM

DATE: August 18, 2022
TO: Brianna Schletz
U.S. Election Assistance Commission, Inspector General
FROM: Leigh Chapman
Acting Secretary of State
SUBJECT: Help America Vote Act Grant Awards – Audit Responses

Upon review of the draft audit report on the *Administration of Payments Received Under the Help America Vote Act by the Pennsylvania Department of State* dated July 2022, enclosed you will find audit responses and corrective actions:

1. Finding No. 1 – Payroll Documentation

- **Issue:** 15 of 56 payroll charges selected for testing (\$53,031 of salary and \$26,995 of fringes), the employee did not maintain a timesheet supporting their efforts. The 15 payroll charges were for three (3) employees.
- **Corrective Action:** Staff time for the 15 documented payroll transactions could not be substantiated through paper documentation that work completed was relative to the Help America Vote Act activities. However, the noted staff were tasked with completion of work for the Commonwealth's Statewide Uniform Registry of Electors (SURE) new IT system, SUREVote. Because there is no written documentation on the work completed, the Department has returned all personnel expenditures previously allocated to the grant totaling \$80,026 to the state election fund on July 29, 2022 (Attachment A).

Additionally, the Department will increase the frequency of information sharing and training as it relates to payroll recording. Previously, once annually, the Bureau of Finance and Operations Division of Fiscal Management would provide information and updates regarding timesheet processing to bureau management on the proper account code information as it relates to all activities within the bureau, including work on federal grants (Attachment B). The frequency of communications will increase to a quarterly reminder with the next informational push occurring in September 2022. Subsequent follow-up will also occur in December 2022, March 2023, and June 2023. This will be completed annually as part of the new procedure. Lastly, as part of the notifications, supervisors will be reminded to review employee timesheets as part of the internal

validation process to ensure that employees are accurately reporting hours worked to appropriate elections programs.

2. Finding No. 2 – Unallowable Costs

- **Issue:** One of 14 subaward reimbursements selected for testing included an election equipment invoice dated March 2017 in the amount of \$72,405 which was partially reimbursed in the amount of \$15,198 by the Department using 2020 Election Security Grant funds. March 2017 is before the approved budget period of the 2020 Election Security grant of December 21, 2019 – December 20, 2024.
- **Corrective Action:** Due to the high volume of state and federal grants for county boards of elections, the Department sent an email to the county (Susquehanna) to request the use of a different allowable expense to replace that of the one falling outside the grant period timeline of the 2020 Election Security Grant. The Commonwealth issued a state Grant for Election Modernization Systems (GEMS) to counties to reimburse 60% of expenses as it related to modernizing aging voting equipment. Since the county was still responsible for the remaining 40% of the expenditures, funds from the submitted expenses under GEMS were used to reallocate the previously awarded federal grant to an expense within the allowable timeframe. The county confirmed the expense was covered under county election dollars and not by other grant dollars (Attachment C).

Additionally, the Department will require the use of the Grant Expenditure Worksheet (Attachment D) for county reimbursement requests. While this form has been provided for optional use in all previous grant award reporting, requiring its use along with the addition of listing the purchase date will allow Department staff the ability to do an additional verification that expenditures are within the grant period timeline of the grant.

3. Finding No. 3 – Subrecipient Monitoring

- **Issue:** The Department's monitoring of subrecipients did not ensure that subrecipient property records were maintained in compliance with 2 CFR 200. Four (4) out of 67 counties were selected for physical observation of equipment. The four counties were Chester, Dauphin, Luzerne, and Montgomery. These four (4) counties represented \$2,413,828 of the state's reported expenditures. None of the four (4) counties had inventory listings in compliance with 2 CFR 200.313(d)(1).

- **Corrective Action:** The Department is currently working to issue a new subrecipient grant award from the Commonwealth's 2022 Election Security Grant, specifically to be used by counties to purchase needed equipment for the new SUREVote voter registration and election management system. Because this is a new grant award specifically to be used to purchase equipment, the Department will use the opportunity to reiterate to counties the importance of compliance with 2 CFR 200.313(d)(1). All existing Help America Vote Act grant awards signed by the counties note the requirement of compliance with the law. To ensure that occurs, the new grant award will include detailed information directly from the online eCFR (Attachment E) with the correspondence on how to obtain grant dollars.

Additionally, the Department has created a template (Attachment F) that county's must use to record the required information of equipment purchased with federal grant dollars for tracking purposes. This will be provided and will be required to be returned when requesting grant dollars, and then biennially thereafter. Internal policies on the biennial review of county equipment purchased with federal dollars are still being reviewed as well as determination of specific bureau responsibilities.

If you have any questions or need additional information, please contact Kim Mattis, Director, Bureau of Finance and Operations, at 772-5193 or at kmattis@pa.gov.

Thank you for your consideration.

- c: Pam Iovino, Executive Deputy Secretary (PA DOS)
- Jonathan Marks, Deputy Secretary for Elections and Commissions (PA DOS)
- Peg Rosenberry, U.S. Election Assistance Commission
- Kimberly Mattis, Director, Bureau of Finance and Operations (PA DOS)
- Julie Snader, Deputy Director, Finance and Operations Manager (PA DOS)
- Amanda Richards, Chief, Fiscal Management (PA DOS)

APPENDIX A-2

**Response of the
U.S. Election Assistance Commission
to the Draft Report**



U.S. ELECTION ASSISTANCE COMMISSION
633 3rd Street, NW. Suite 200
Washington, DC 20001

TO: Brianna Schletz, Inspector General

FROM: Kinza Ghaznavi, Grants Director

DATE: August 23, 2022

RE: Response to Draft Audit Report of Grants Awarded to the Pennsylvania Department of State

This is the EAC's response to the OIG draft audit of HAVA funds awarded to the Pennsylvania Department of State and serves as the EAC's management decision. The scope of the audit included HAVA Sections 251, 101 Election Security and 101 CARES grants. The EAC agrees with the recommendations and describes our management decisions related to each one below. Action is complete on Finding #2 and Recommendations #3 and #4.

Finding #1 and Recommendations #1 and #2, Payroll Documentation: The auditors noted that 15 of 56 payroll charges selected for testing, totaling \$53,031 of salary and \$26,995 of fringe benefits, did not have employee timesheets supporting their efforts. The auditors recommend that the EAC require the Department to:

1. Transfer into the election fund \$80,026 for the unsupported payroll costs cited above.
2. Implement procedures and training which ensure that payroll costs are supported with records that accurately reflect the work performed and are incorporated into the official records before being allocated to the HAVA grants.

Management Decision: The Department explained the unsupported payroll costs resulted for three employees whose timesheets were not initially set up for the specific HAVA-related activities added to their duties later in the year. They transferred those costs to other funding sources and returned the amount to the state election fund. The Grants staff confirmed the transfer was completed on July 29, 2022. To address Recommendation #2, the Department is revising its notification process and reminders concerning timesheets and accurate time accounting. Currently the state sends out an annual notification and instructions for timesheets and accurate account coding for programs applicable to their areas. To ensure that they capture new hires, temporary staff, and others with additional grant duties added during the year, they will start sending the notifications out quarterly. The Department staff expects the revised procedure to be in place by September 30, 2022.

Finding #2 and Recommendations #3 and #4, Unallowable Costs: The auditors found that one of 14 subaward reimbursements selected for testing included an election equipment invoice dated March 2017 in the amount of \$72,405 which was partially reimbursed in the amount of \$15,198 by the Department using 2020 Election Security Grant funds. March 2017 is before the approved budget period for the 2020 Election Security grant began on December 21, 2019. The auditors recommend that the EAC require the Department to:

3. Transfer into the election fund \$15,198 for the questioned costs cited above.
4. Develop and implement policies and procedures and provide training to ensure that subaward reimbursements charged to HAVA are for costs that are allowable, allocable and reasonable to HAVA.

Management Decision: The Department provided an accounting record for the subwardee, dated August 2, 2022, that demonstrates the unallowable costs were removed. To address Recommendation #4, the Department revised its summary expenditure form the Department requires subawardees to submit with reimbursement requests. The form now requires subawardees to report purchase dates which Department staff review during the approval process to ensure expenditures are within the approved budget period. This will serve as another check to be sure they review the validity date of the purchase as well as confirming the purchase is an allowable expense. The Grants staff reviewed the form and confirmed it addresses the recommendation. Action is complete on this finding.

Finding and Recommendation, Sub-recipient Monitoring: The auditors found that the Department's monitoring of subrecipients did not ensure that subrecipient property records were maintained in compliance with 2 CFR 200. Four out of 67 counties were selected for physical observation of equipment. None of the four counties had inventory listings in compliance with 2 CFR 200.313(d)(1). The auditors recommend that the EAC require the Department to:

5. Implement procedures or training to ensure that all subrecipients are properly monitored in accordance with federal statutes and the terms and conditions of the subaward.
6. Ensure all property purchased by subrecipients with federal funds is placed on a compliant property record.

Management Decision: The Department is developing an inventory template they will require subawardees to use to record all equipment purchased with HAVA funds and submit to the Department. That template, along with the specific requirements in the regulations, will be sent to the counties when the Department sends out the subawards for the 2022 Election Security funds. To address Recommendation #5, they will add a process to their monitoring procedures to review the inventories and will identify staff responsible for that process. They expect to revise the procedure and train identified staff by the end of December 2022.

The EAC expects to review the remaining actions and documentation provided by the Department by January 31, 2023.

AUDIT SCOPE AND 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 and of 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.

As part of our audit, we gained an overall understanding of the internal control environment at the Office. Based on this understanding, we identified certain internal controls that we considered to be significant (or key controls) to achieving each objective. All components of internal control are relevant, but not all may be significant. Significance is defined as the relative importance of a matter within the context in which it is being considered, and is a matter of professional judgment. We made the following determination as to the significance of the underlying internal control principles:

	Objective		
	1	2	3
Control Environment			
1 Demonstrates Commitment to integrity and ethical values	No	No	No
2 Exercises oversight responsibility	No	No	No
3 Establishes structure, authority, and responsibility	No	No	No
4 Demonstrates commitment to competence	No	No	No
5 Enforces accountability.	No	No	No
Risk Assessment			
6 Specifies suitable objectives	No	No	No
7 Identifies and analyzes risk	No	No	No
8 Assesses fraud risk	No	No	No
9 Identifies and analyzes significant change	No	No	No
Control Activities			
10 Selects and develops control activities	Yes	Yes	Yes
11 Selects and develops general controls over technology	Yes	Yes	Yes
12 Deploys through policies and procedures	Yes	Yes	Yes
Information and Communication			
13 Uses relevant information	Yes	No	No
14 Communicates internally	Yes	No	No
15 Communicates externally	Yes	Yes	No
Monitoring			
16 Conducts ongoing and/or separate evaluations	No	No	No
17 Evaluates and communicates deficiencies	No	No	No

The significance was determined as follows:

Objective 1: Control Activities and its underlying principles were deemed to be significant to our determination of the awardee’s compliance with the objective. The Control Activities component includes the design and implementation of specific tasks performed by individuals within the entity to fulfill their duties and responsibilities and to respond to identified risks. These principles address the design and implementation of activities related to management review, segregation of duties (including restriction of access with the information system), and documentation of internal controls and transactions. We determined these principles to be the most significant to the state’s proper use of funds and compliance with award requirements.

The Information and Communication principles of Use Relevant Information, Communicate Internally and Communicate Externally were deemed to be significant to our determination of the awardee’s compliance with the federal financial reporting portion of this objective. These principles address the relevance of the information, the internal communication processes used to compile the data necessary to meet the state’s reporting objectives and the external communication processes used to inform the counties about grant requirements.

Objective 2: Control Activities and its underlying principles were deemed to be significant to our determination of the awardee's compliance with the objective. The Control Activities component includes the design and implementation of specific tasks performed by individuals within the entity to fulfill their duties and responsibilities and to respond to identified risks. These principles address the design and implementation of activities related to management review, segregation of duties (including restriction of access with the information system), and documentation of internal controls and transactions. We determined these principles to be the most significant to the state's proper accounting and control over equipment purchased with HAVA funds.

The Information and Communication principle of Communicate Externally was deemed to be significant to our determination of the awardee's compliance with the objective because the state communicated with and relied on information from the counties where the equipment is located as part of the control system for accounting and controlling equipment purchased with HAVA funds.

Objective 3: Control Activities and its underlying principles were deemed to be significant to our determination of the awardee's compliance with the objective. The Control Activities component includes the design and implementation of specific tasks performed by individuals within the entity to fulfill their duties and responsibilities and to respond to identified risks. These principles address the design and implementation of activities related to management review, segregation of duties (including restriction of access with the information system), and documentation of internal controls and transactions. We determined these principles to be the most significant to the state's use of funds in a manner consistent with the plans provided to EAC.

To implement our audit methodology, below are some of the audit procedures we performed.

- Interviewed appropriate Office employees about the organization and operations of the HAVA program.
- Reviewed prior single audit reports and other reviews related to the Office's financial management systems and the HAVA program for the period under review.
- Reviewed policies, procedures and regulations for the Office management and accounting systems as they relate to the administration of the HAVA program.
- Tested major purchases and the supporting documentation.
- Tested randomly sampled payments made with HAVA funds.
- Evaluated compliance with the requirements for accumulating financial information reported to the Commission on the financial status reports and progress reports, accounting for property, purchasing HAVA related goods and services, and using funds in a manner consistent with the budget plan provided to EAC.
- Verified the establishment and maintenance of an election fund.
- Observed the physical security/safeguards of selected equipment purchased with HAVA funds and ensure compliance with federal regulation.
- Verified whether the matching requirement was met and, if so, that matching expenditures met the prescribed criteria and allowability requirements of HAVA.
- Verified program income and interest income was properly accounted for and not remitted to the State's general fund.

**ELECTION SECURITY EXPENDITURES BY BUDGET CATEGORY AND PROGRAM CATEGORY
AUGUST 3, 2018 TO SEPTEMBER 30, 2020**

Budget Categories	Program Categories						Total
	Voting Equipment	Election Auditing	Voter Registration Systems	Cyber Security	Communications	Other	
Personnel (Including Fringe)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Equipment	31,783	-	59,746	-	855,037	-	946,566
Subgrants	13,520,608	-	-	37,634	21,736	31,778	13,611,756
Training	-	-	-	-	-	-	-
All Other Costs	-	-	-	-	-	-	-
Total Direct Costs	\$ 13,552,391	\$ -	\$ 59,746	\$ 37,634	\$ 876,773	\$ 31,778	\$ 14,558,322
Indirect Costs (if applied)	-	-	-	-	-	-	-
Total Federal Expenditures	\$ 13,552,391	\$ -	\$ 59,746	\$ 37,634	\$ 876,773	\$ 31,778	\$ 14,558,322
Non-Federal Match	673,808	-	-	-	-	-	673,808
Total Program Expenditures	\$ 14,226,199	\$ -	\$ 59,746	\$ 37,634	\$ 876,773	\$ 31,778	\$ 15,232,130

Appendix C-1 (Cont'd)

County	Subgrant Spending By Program Categories							Total
	Voter							
	Voting Equipment	Election Auditing	Registration Systems	Cyber Security	Communications	Other		
LEHIGH COUNTY CHIEF EXEC OFFICER	\$361,825	\$ -	\$ -	\$ -	\$ -	\$-	\$ 361,825	
FRANKLIN COUNTY COMMISSIONERS	144,995	-	-	-	-	-	144,995	
BEDFORD COUNTY COMMISSIONERS	49,584	-	-	23,556	-	-	73,140	
ADAMS COUNTY COMMISSIONERS	104,574	-	-	-	-	-	104,574	
HUNTINGDON COUNTY COMMISSIONERS	47,185	-	-	-	-	-	47,185	
LEBANON COUNTY COMMISSIONERS	134,417	-	-	-	-	-	134,417	
MIFFLIN COUNTY COMMISSIONERS	38,964	-	-	-	-	-	38,964	
JUNIATA COUNTY COMMISSIONERS	21,735	-	-	-	-	-	21,735	
CHESTER COUNTY COMMISSIONERS	553,465	-	-	-	-	-	553,465	
DAUPHIN COUNTY COMMISSIONERS	290,517	-	-	-	-	-	290,517	
BUCKS COUNTY COMMISSIONERS	712,432	-	-	-	-	-	712,432	
BLAIR COUNTY COMMISSIONERS	119,734	-	-	-	-	-	119,734	
DELAWARE COUNTY EXECUTIVE DIRECTOR	627,585	-	-	-	-	-	627,585	
SCHUYLKILL COUNTY COMMISSIONERS	135,161	-	-	-	-	-	135,161	
BERKS COUNTY COMMISSIONERS	399,913	-	-	-	-	-	399,913	
YORK COUNTY COMMISSIONERS	477,237	-	-	-	-	-	477,237	
FULTON COUNTY COMMISSIONERS	17,023	-	-	-	2,188	-	19,211	
LANCASTER COUNTY COMMISSIONERS	514,128	-	-	-	-	-	514,128	
CUMBERLAND COUNTY COMMISSIONERS	268,490	-	-	-	-	-	268,490	
MONTGOMERY COUNTY COMMISSIONERS	887,077	-	-	-	-	-	887,077	
PERRY COUNTY COMMISSIONERS	44,776	-	-	-	-	-	44,776	
SNYDER COUNTY COMMISSIONERS	33,735	-	-	-	-	-	33,735	
BRADFORD COUNTY COMMISSIONERS	57,489	-	-	-	-	-	57,489	
CARBON COUNTY COMMISSIONERS	67,825	-	-	-	-	-	67,825	
CENTRE COUNTY COMMISSIONERS	171,026	-	-	-	-	-	171,026	
CLINTON COUNTY COMMISSIONERS	32,773	-	-	-	-	-	32,773	
COLUMBIA COUNTY COMMISSIONERS	59,974	-	-	-	-	-	59,974	
LACKAWANNA COUNTY CHIEF EXEC OFFICER	225,515	-	-	-	-	-	225,515	
LUZERNE COUNTY CHIEF EXECUTIVE	326,554	-	-	-	-	-	326,554	

Appendix C-1 (Cont'd)

Subgrant Spending By Program Categories (Cont'd)

County	Voter						Total
	Voting Equipment	Election Auditing	Registration Systems	Cyber Security	Communications	Other	
LYCOMING COUNTY COMMISSIONERS	\$ 107,456	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 107,456
MONROE COUNTY COMMISSIONERS	166,744	-	-	-	-	-	166,744
MONTOUR COUNTY COMMISSIONERS	20,866	-	-	4,903	3,256	2,428	31,453
NORTHAMPTON COUNTY CHIEF EXEC OFFICER	324,871	-	-	-	-	-	324,871
NORTHUMBERLAND COUNTY COMMISSIONERS	83,034	-	-	-	-	-	83,034
PIKE COUNTY COMMISSIONERS	65,933	-	-	-	-	-	65,933
POTTER COUNTY COMMISSIONERS	16,897	-	-	-	-	-	16,897
SULLIVAN COUNTY COMMISSIONERS	10,621	-	-	-	-	-	10,621
SUSQUEHANNA COUNTY COMMISSIONERS	55,816	-	-	1,275	973	4,590	62,654
TIOGA COUNTY COMMISSIONERS	50,120	-	-	-	-	-	50,120
UNION COUNTY COMMISSIONERS	37,682	-	-	-	-	-	37,682
WAYNE COUNTY COMMISSIONERS	52,109	-	-	-	-	-	52,109
WYOMING COUNTY COMMISSIONERS	26,718	-	-	-	-	-	26,718
FOREST COUNTY COMMISSIONERS	5,290	-	-	-	2,763	860	8,913
ELK COUNTY COMMISSIONERS	30,463	-	-	-	-	-	30,463
CAMERON COUNTY COMMISSIONERS	4,624	-	-	-	-	-	4,624
CLARION COUNTY COMMISSIONERS	35,973	-	-	-	-	3,894	39,867
JEFFERSON COUNTY COMMISSIONERS	47,074	-	-	-	-	-	47,074
ALLEGHENY COUNTY CHIEF EXEC OFFICER	1,471,598	-	-	-	-	-	1,471,598
ARMSTRONG COUNTY COMMISSIONERS	65,218	-	-	-	-	-	65,218
BEAVER COUNTY COMMISSIONERS	173,721	-	-	3,225	-	-	176,946
BUTLER COUNTY COMMISSIONERS	200,170	-	-	-	-	-	200,170
CAMBRIA COUNTY COMMISSIONERS	131,374	-	-	4,675	-	8,046	144,095
CLEARFIELD COUNTY COMMISSIONERS	74,055	-	-	-	-	-	74,055
ERIE COUNTY CHIEF EXECUTIVE OFFICER	302,183	-	-	-	-	-	302,183
FAYETTE COUNTY COMMISSIONERS	122,885	-	-	-	-	-	122,885
GREENE COUNTY COMMISSIONERS	34,534	-	-	-	-	-	34,534

Appendix C-1 (Cont'd)

Subgrant Spending By Program Categories (Cont'd)

<u>County</u>	<u>Voter</u>						<u>Total</u>
	<u>Voting Equipment</u>	<u>Election Auditing</u>	<u>Registration Systems</u>	<u>Cyber Security</u>	<u>Communications</u>	<u>Other</u>	
INDIANA COUNTY COMMISSIONERS	\$ 80,552	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 80,552
LAWRENCE COUNTY COMMISSIONERS	86,176	-	-	-	-	-	86,176
MERCER COUNTY COMMISSIONERS	112,396	-	-	-	-	-	112,396
MCKEAN COUNTY COMMISSIONERS	37,604	-	-	-	-	-	37,604
SOMERSET COUNTY COMMISSIONERS	73,979	-	-	-	-	-	73,979
VENANGO COUNTY COMMISSIONERS	49,649	-	-	-	-	-	49,649
WASHINGTON COUNTY COMMISSIONERS	223,750	-	-	-	-	-	223,750
WESTMORELAND COUNTY COMMISSIONERS	390,443	-	-	-	-	-	390,443
CRAWFORD COUNTY COMMISSIONERS	82,782	-	-	-	9,407	10,567	102,756
WARREN COUNTY COMMISSIONERS	62,574	-	-	-	-	1,393	63,967
PHILADELPHIA CITY TREASURER	1,676,965	-	-	-	3,149	-	1,680,114
Total Direct Costs	\$ 13,520,607	\$ -	\$ -	\$ 37,634	\$ 21,736	\$ 31,778	\$ 13,611,756
Indirect Costs (if applied)	-	-	-	-	-	-	-
Total Federal Expenditures	<u>\$ 13,520,607</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,634</u>	<u>\$ 21,736</u>	<u>\$ 31,778</u>	<u>\$ 13,611,756</u>

**SECTION 251 EXPENDITURES BY SPENDING CATEGORY
OCTOBER 1, 2018 TO SEPTEMBER 30, 2020**

<u>Spending Category</u>	Section 251 <u>Funds</u>
Voter Registration System	<u>\$ 3,095,930</u>
Total Direct Costs	<u>\$ 3,095,930</u>
Total Program Expenditures	<u><u>\$ 3,095,930</u></u>

Note: Difference between Section 251 detailed federal expenditures above and Section 251 expenditures of \$3,088,501 in previous table is due to a corrected variance by the Office.

**CARES ACT EXPENDITURES BY COST CATEGORY
APRIL 23, 2020 TO DECEMBER 31, 2020**

Cost Categories	Expenditure Type		Total
	Federal	Match	
Voting Processes	\$ 2,359,974	\$ 337,153	\$ 2,697,127
Staffing	553,977	167,549	721,526
Security and Training	547,001	-	547,001
Communications	2,770,507	-	2,770,507
Supplies	2,174,883	-	2,174,883
Total CARES Expenditures	<u>\$ 8,406,342</u>	<u>\$ 504,702</u>	<u>\$ 8,911,044</u>

Note: Difference between CARES detailed federal expenditures above and CARES expenditures of \$8,421,960 in previous table is due to interest income expenditures not being detailed by the Office. Difference between CARES matching expenditures above and CARES match of \$2,713,652 in previous table is due to matching expenditures made after December 31, 2020.

**MONETARY IMPACT AS OF SEPTEMBER 30, 2020 FOR ELECTION
SECURITY AND SECTION 251 REISSUED GRANTS AND AS OF
DECEMBER 31, 2020 FOR CARES ACT GRANT**

Description	Questioned Costs	Unsupported Costs	Additional Funds for Program
Election Security Grant	\$ 15,198	\$ -	\$ -
Section 251 Reissued	-	80,026	-
Total	<u>\$ 15,198</u>	<u>\$ 80,026</u>	<u>\$ -</u>



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