



FOLLOW-UP REVIEW • REPORT NUMBER 21-11 • JUNE 2024

Secretary of State Grant Administration **Action taken to address most audit findings**

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Why we did this review

This follow-up review was conducted to determine the extent to which the Office of the Secretary of State (SOS) has addressed recommendations presented in our March 2022 special examination (Report #21-11).

The audit examined revenue available to the state from Help America Vote Act (HAVA) grants, state matching funds, and interest; how HAVA grant funds were spent and how much remained; and whether expenditures complied with state and federal requirements. The audit did not examine election administration or compliance with state policies governing the use of bond proceeds.

About HAVA Grants

The federal Help America Vote Act of 2002 established grant programs to distribute election funds to states. Since 2018, Congress appropriated election funds for states through three new grant programs: the 2018 Election Security grant, the 2020 Election Security grant, and the 2020 Coronavirus Aid, Relief, and Economic Stability (CARES) Act supplement. States can spend grant funds at their discretion to implement activities authorized by the grant.

SOS administers federal election funds awarded to the state. SOS is responsible for determining how to spend grant funds, submitting required federal reports, and ensuring compliance with applicable laws and regulations regarding the use of these funds.

Secretary of State Grant Administration

Action taken to address most audit findings

What we found

Since our 2022 report, the Office of the Secretary of State (SOS) has taken steps to address findings related to compliance with state purchasing requirements and federal grant requirements. Reported changes to agency purchasing practices, documentation management, and personnel should help minimize risks of noncompliance with state procurement guidance and state law. Further action is needed to ensure federal reporting and inventory requirements are met.

Purchasing of Goods and Services

In the original audit, we found that SOS spent HAVA funds on goods and services that were allowed, with few exceptions in the sample we reviewed. However, nearly half of HAVA grant transactions had at least one noncompliance issue related to state purchasing requirements. Issues included the following:

- Instead of participating in the state purchasing card program, SOS personnel acquired and routinely used a separate credit card.
- SOS had a practice of reimbursing employees for agency business expenses (nontravel) paid with personal credit cards, which are not subject to the same system of controls in place for the state purchasing card program.
- Rather than using the available mandatory statewide contract, SOS independently contracted with vendors for public relations and information technology services without seeking a waiver.
- SOS hired its COO/CFO as a contractor to provide consulting services (including services related to the implementation of the new statewide voting system) while they were still an SOS employee.

SOS has since taken steps to ensure compliance with state purchasing requirements. SOS cancelled its agency credit card and began participating in the state's purchasing card

program. In addition, SOS reported that it no longer allows employees to utilize personal credit cards for purchases nor conducts business transactions with current employees. Finally, SOS hired experienced procurement personnel to ensure compliance with statewide policies.

Federal Grant Compliance

In our 2022 report, we noted that concerns related to noncompliance with state purchasing requirements (as discussed above), unsupported costs, and unallocable costs raised questions about federal grant compliance. In particular, SOS did not provide adequate documentation as required by federal grants for 12% of the transactions in our sample. Other concerns related to the submission of required federal financial reports and management of voting equipment.

SOS has taken steps to improve its federal grant compliance, but additional actions are needed. SOS now uploads supporting documentation associated with purchased goods and services into the state financial system. SOS also hired additional personnel to assist with grant administration. While SOS has not consistently submitted progress and financial reports to the U.S. Elections Assistance Commission by the required due date since the original audit, there were no reports outstanding as of May 2024. Finally, once state funds become available, SOS reported its plans to implement a new inventory tracking system as well as manually audit voting system equipment.

SOS's Response: *SOS agreed with the current status as presented in the following table. SOS provided additional context for the status of the recommendation related to timely submission of federal reports. A detailed response to this recommendation is included in the table.*

The following table summarizes the findings and recommendations in our 2022 report and actions taken to address them. A copy of the 2022 special examination report (#21-11) may be accessed at [Secretary of State Grant Administration](#).

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Status: 5 Findings			
Fully Addressed: 1	Partially Addressed: 1	Not Addressed: 0	No Recommendation: 3

Finding 1: Between fiscal years 2018 and 2021, SOS received \$34.8 million from HAVA grants awarded to the state and \$135,513 from interest earned on these funds.	
Original Recommendations	Action Taken
No Recommendations	No Recommendations
Finding 2: Between fiscal years 2018 and 2021, SOS spent nearly 90% (\$30.4 million) of HAVA grants reviewed. SOS's expenditures were for goods and services generally allowed under the grants.	
Original Recommendations	Action Taken
No Recommendations	No Recommendations
Finding 3: Nearly \$6.5 million in HAVA grant revenue remains as of June 30, 2021—primarily from the Title II Funding and the 2020 Election Security grants. This revenue will remain available until expended.	
<i>Update: Because HAVA grant funds remain available until expended, we did not attempt to calculate what remains as of this follow-up review's publication. We also did not review any new grant funds SOS received subsequent to the initial report's release.</i>	
Original Recommendations	Action Taken
No Recommendations	No Recommendations
Finding 4: Almost half of the grant transactions examined had at least one noncompliance issue related to state purchasing requirements.	
Fully Addressed – SOS has taken various actions to ensure purchasing practices comply with state procurement guidance and state law.	
Original Recommendations	Action Taken
4.1 SOS should discontinue the use of credit cards outside of the state purchasing card program, including the use of: <ul style="list-style-type: none"> a. Personal credit cards for non-travel regular operating expenses for SOS, and b. Agency credit cards from a non-approved financial institution. 	Fully Implemented – SOS provided documentation that the credit card it had outside the state purchasing card program held a zero balance since July 2022 and was officially cancelled in April 2023. In addition, SOS reported it has also modified its employee reimbursement program so personal cards are not used for purchases.
4.2 SOS should participate in and comply with the statewide purchasing card program as required.	Fully Implemented – SOS now participates in the state purchasing card program. According to SOS, this began in August 2022.

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<p>4.3 SOS should immediately comply with state purchasing requirements, which include but are not limited to:</p> <ul style="list-style-type: none"> a. SOS should request waivers from mandatory statewide contracts as required. b. SOS should use a purchase order for all nonexempt purchases greater than \$2,500. c. SOS should properly identify emergency purchases on the purchase order and complete the emergency justification form to provide SPD written notice and justification as required. 	<p>Fully Implemented – SOS reported various actions had been taken to comply with state purchasing requirements. According to SOS, it takes the following actions to ensure compliance with state purchasing requirements:</p> <ul style="list-style-type: none"> • Uses statewide contracts for purchases; • Follows State Accounting Office (SAO) policies for nonexempt purchases greater than \$2,500; and • Would comply with state purchasing policies for emergency purchases, when applicable. SOS also reported that emergency purchases are covered in training attended by its procurement staff. <p>In addition, SOS indicated that the hiring of experienced procurement personnel should help ensure compliance with state purchasing requirements. SOS hired a procurement manager in March 2023 and a purchasing and procurement specialist in May 2023.</p>
<p>4.4 To avoid conflict of interest, SOS should not transact business with its employees.</p>	<p>Fully Implemented – While SOS reported that it does not have any contracts with employees who are on leave or have recently left employment, it should consider establishing a policy to prohibit transacting business with its employees.</p>
<p>Finding 5: Noncompliance with state purchasing requirements, unsupported costs, and unallocable costs raise questions about federal grant compliance.</p> <p>Partially Addressed – SOS has taken steps to improve compliance with documentation requirements and ensure grant funds are used for allocable expenditures. SOS hired additional personnel to assist with grant administration. While there have been delays in federal reporting since the original report’s publication, no reports were outstanding as of May 2024. SOS has not yet developed an accurate and complete inventory of equipment associated with the statewide voting system, but it now has funding to do so.</p>	
Original Recommendations	Action Taken
<p>5.1 SOS should maintain documentation that describes the goods or services purchased and the reason for the expense.</p>	<p>Fully Implemented – SOS reported that it maintains supporting documentation for goods and services purchased by scanning and uploading the documentation into the state financial system, as evidenced by an example of a purchase order in TeamWorks. In addition, it provided a flowchart describing procedures used to ensure documentation is maintained to support its purchases.</p>
<p>5.2 SOS should limit the use of HAVA funds to expenditures that are necessary for the administration of activities funded under the applicable grant.</p>	<p>Fully Implemented – In its response to the original report, SOS indicated that it would reinforce an internal policy that requires all invoices to adequately describe the services paid for with HAVA funds. In addition, SOS stated that either the Elections Division director or chief financial officer reviews and approves all HAVA invoices to ensure funds are used as required.</p> <p>Finally, SOS indicated that the hiring of a full-time accountant to assist in grant administration would help ensure compliance with federal grant requirements.</p>

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<p>5.3 SOS should submit required progress and financial reports for each active grant by the required due date.</p>	<p>Partially Implemented – Since our review, SOS had not consistently submitted progress and financial reports to the Election Assistance Commission by the required due date. For example, SOS submitted its 2022 annual report for the Election Security Grant in June 2023, six months past the December 2022 due date. Similarly, a quarterly report for the same grant was due in April 2023 but was not submitted until June 2023. However, no reports were outstanding as of May 2024.</p> <p><i>SOS's Response: SOS reported that it hired a grant administrator to assist with submitting federal financial reports in a timely manner. SOS stated that reports that were not submitted by the due date since hiring the grant administrator were the result of resubmissions.</i></p>
<p>5.4 SOS should record equipment associated with the statewide voting system in the inventory system and conduct an inventory every two years.</p>	<p>Not Implemented – SOS reported plans to implement a new inventory tracking system but did not specify a timeframe for doing so. According to SOS, the purchase of the inventory system is subject to the appropriation of state funds. In addition, while SOS reported plans to conduct a manual audit of voting system equipment, the process had not begun at the time of this review.</p>

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