



SPECIAL EXAMINATION • REPORT NUMBER 21-11 • MARCH 2022

## Secretary of State Grant Administration

Requested Information on Help America Vote Act Funds and Compliance

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### Why we did this review

The House Appropriations Committee requested this special examination of HAVA funds. Based on the request, we determined: (1) how much revenue was available to the state from HAVA grants, state matching funds, and interest; (2) how the state spent these HAVA funds; (3) how much revenue from these grants remains; and (4) whether HAVA-related grant funds were spent in accordance with state and federal requirements. This review 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 Act (CARES) supplement. States can spend grant funds at their discretion to implement activities authorized by the grant.

The Office of the Secretary of State (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 state and federal laws and regulations regarding the use of these funds. SOS received \$34.8 million from HAVA grants between fiscal years 2018 and 2021.

## Secretary of State Grant Administration

### Requested Information on Help America Vote Act Funds and Compliance

#### What we found

The Office of the Secretary of State (SOS) spent Help America Vote Act (HAVA) funds on goods and services that were allowed, with few exceptions in the sample we reviewed. However, nearly half of the transactions we examined had at least one non-compliance issue related to state procurement requirements and thus did not meet federal requirements.

#### ***SOS spent grant funds for purchases that were allowed by the HAVA grants reviewed.***

Between fiscal years 2018 and 2021, SOS received \$34.8 million from Section 251 funds, 2018 and 2020 Election Security grants, and the 2020 CARES Act supplement. SOS received an additional \$135,513 from interest earned on these funds. SOS has spent nearly 90% (\$30.4 million) as of June 30, 2021. Most expenditures were from the 2020 CARES Act supplement and the 2018 Election Security grants.

The largest percentage of HAVA expenditures (33% or \$10.1 million) was for communications and media services. The second largest—comprising nearly \$6.0 million or 20% of expenditures—was for expenditures related to postage. Nearly \$6.5 million in HAVA grant revenue, including \$1.9 from carryover, remains as of June 30, 2021—primarily from Title II Funding and 2020 Election Security grants.

#### ***Almost half of the grant transactions examined had at least one noncompliance issue related to state purchasing requirements.***

Our review of 196 HAVA grant transactions for compliance with state procurement and accounting requirements found that nearly half (92) had at least one non-compliance issue.

SOS must comply with the State Purchasing Act, and the rules and regulations published by the State Purchasing Division (SPD) within the Department of Administrative Services, regardless of funding source. These policies and

processes are designed to ensure: 1) adequate controls to detect and deter fraud, misuse, and abuse; 2) payment for only approved purchases; 3) competitive pricing for common goods and services; and 4) the accuracy of data collected regarding state purchases. SOS must also follow state procurement policies and procedures to comply with federal requirements. Non-compliant purchasing practices are described below.

- **State Purchasing Card Program** – SPD policies require agencies that decide to use a credit card to participate in the state p-card program. Instead of participating in the state p-card program utilized by approximately 100 other state entities, SOS personnel acquired and routinely used a separate credit card issued by a different financial institution. In addition, SOS had a practice of reimbursing employees for nontravel business expenses paid with personal credit cards. Unlike the state p-card program, outside credit cards are not subject to the same system of controls used across state government to detect and deter fraud, misuse, and abuse.
- **Mandatory Statewide Contracts** – Rather than using the available mandatory statewide contract, SOS independently contracted with vendors for public relations and information technology services without seeking a waiver as required.
- **Purchase Orders** – In 30 (15%) of the 196 HAVA grant transactions in our sample, SOS did not comply with the purchase order policy. SOS paid for the items using direct payments, which have fewer internal controls than purchase orders.
- **Employee Transacting Business with SOS** – SOS hired its COO/CFO as a contractor to provide a range of consulting services (including services related to the implementation of the new statewide voting system) while they were still an employee, which may not comply with state law. The requirements for competitive bidding and emergency procurements were not followed.

***Noncompliance with state purchasing requirements, unsupported costs, and unallocable expenditures raise questions about federal grant compliance.***

In addition to noncompliance with state requirements, SOS did not provide adequate documentation as required for federal grants for 12% of the transactions in our sample. The documentation SOS provided for most of these transactions did not contain the detail necessary to determine whether the items purchased were consistent with allowed grant uses. For a small number of transactions, SOS did not provide any documentation to support the expenditures, and two minor expenditures should not have been paid from these funds.

**What we recommend**

We recommend that SOS participate in and use the statewide p-card program as required and discontinue the use of credit cards outside the state p-card program. SOS should also avoid transacting business with its employees. SOS should become knowledgeable of and implement processes that comply with state procurement policy and federal grant documentation requirements.

See **Appendix A** for a detailed listing of recommendations.

***Agency Response:*** SOS stated that the COVID-19 pandemic brought numerous unforeseen challenges. However, the office recognizes that actions can be taken to improve compliance. SOS generally agreed with the report. Responses are summarized at the end of each pertinent finding.

# Table of Contents

<b>Purpose of the Special Examination</b>	<b>1</b>
<b>Background</b>	<b>1</b>
Help America Vote Act of 2002	1
Georgia HAVA Grant Administration	5
<b>Requested Information</b>	<b>9</b>
Question 1: How much revenue was available to the state from non-discretionary HAVA grants, state matching funds, and interest?	9
Question 2: How did SOS spend HAVA funds?	10
Question 3: How much of the revenue derived from HAVA grants remains?	15
Question 4: Did SOS spend HAVA-related grant funds in accordance with state procurement requirements?	16
Question 5: Did SOS spend HAVA-related grant funds in accordance with federal grant requirements?	25
<b>Appendices</b>	
Appendix A: Table of Recommendations	29
Appendix B: Objectives, Scope, and Methodology	30
Appendix C: Top Expenditures and Vendors by Category	34
Appendix D: Letter Issued After State Inspector General Investigation	42

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## Purpose of the Special Examination

This examination was requested by the House Appropriations Committee. The Committee requested that we provide a detailed review of expenditures related to the federal grants authorized under Title I Section 101 of the “Help America Vote Act (HAVA) of 2002” as provided through the “Consolidated Appropriations Act of 2018” and the “Consolidated Appropriations Act of 2020” and all associated state matching funds. The Committee requested that the review include an examination of all activities, purchases, grants made to local entities, contracts for services, and remaining fund balances. Based on this request, our review focuses on the following questions:

1. How much revenue was available to the state from non-discretionary HAVA grants, state matching funds, and interest?
2. How did SOS spend HAVA funds?
3. How much of the revenue derived from HAVA grants remains?
4. Did SOS spend HAVA-related grant funds in accordance with state procurement requirements?
5. Did SOS spend HAVA-related grant funds in accordance with federal grant requirements?

A description of the objectives, scope, and methodology used in this review is included in **Appendix B**. A draft of the report was provided to the Office of the Secretary of State for its review, and pertinent responses were incorporated into the report.

## Background

### Help America Vote Act of 2002

Congress passed the Help America Vote Act of 2002 (HAVA) to implement reforms for federal election administration following the 2000 Presidential election. These reforms, which are part of the Title III requirements, established minimum standards to ensure that state election systems were uniform across voting precincts, fair, and capable of being audited. To assist states in meeting the requirements, HAVA authorized funding and created the U.S. Election Assistance Commission (EAC) to distribute election funds, monitor awards to states, and provide elections officials with guidance and support to remain in compliance with grant provisions.

As shown in **Exhibit 1**, the HAVA legislation originally established nine discretionary and non-discretionary grant programs to provide election funds to states. The discretionary programs allowed federal agencies to exercise judgement in selecting grant recipients and/or the award amount, while non-discretionary programs awarded grants to all qualifying states based on a pre-determined formula specified in law. This review focuses on funds authorized

under the two non-discretionary grant programs established under HAVA Sections 101 and 251 that were active between fiscal years 2018 and 2021.

## Exhibit 1

### HAVA Established Multiple Grant Programs

Title	Section	Program Description	Program Type	Year Awarded <sup>1</sup>
I	101	Election Administration Improvement	Non-discretionary	2003
	102	Punch Card and Lever Voting Machine Replacement	Non-discretionary	2003
II	251	Requirements Payments	Non-discretionary	Yearly
	261	Payments to states and units of local government to assure access for individuals with disabilities	Discretionary	2003-2005
	271	Grants for research on voting technology improvements	Discretionary	2003
	281	Pilot program to test new voting technologies	Discretionary	2003
	291	Payments for protection and advocacy systems to ensure full participation of people with disabilities	Discretionary	Yearly
	295	Nation Student and Parent Mock Election	Discretionary	2003-2009
V	501	Establishment of the Help America Vote College Program	Discretionary	Yearly

<sup>1</sup> The year funds were awarded to states for the original HAVA programs. Additional funds were appropriated for Section 101 in 2018 and 2020 for election security. Yearly awards for Section 251 are “as appropriated,” and yearly awards for Sections 291 and 501 are “as may be necessary.”

Source: Election Assistance Commission documents

### *Original Grant Programs*

HAVA created two grant programs that fund overlapping activities (see **Exhibit 2**). The Section 101 (“Election Administration Improvement”) program helped states improve the administration of federal elections, while the Section 251 (“Requirements Payments”) program helped states comply with Title III requirements. As non-discretionary grant programs, the award amount was based on pre-established factors such as population size. To receive funding, each state’s chief election official had to send a request to the EAC. Funds were available without limitations on the funding period. The original legislation appropriated \$3 billion for Requirements Payments from 2003-2005, and Congress continued to provide funding to states through this program until 2011.

**Exhibit 2****HAVA Established Two Grant Programs that May Fund Similar Activities**

	<b>Election Administration Improvement</b>	<b>Requirements Payments</b>
<b>Authorization</b>	HAVA Section 101	HAVA Section 251
<b>Purpose</b>	To provide funding for activities to improve the administration of federal elections.	To provide funding to establish statewide voting systems and related technologies that are uniform, fair, and accessible to persons with disabilities.
<b>Examples of Required Use</b>	<p>Must comply with Title III requirements</p> <ul style="list-style-type: none"> <li>Educate voters about voting procedures, rights, and equipment</li> <li>Train election officials, poll workers, and election volunteers</li> <li>Improve or replace voting systems and technology</li> <li>Establish a toll-free telephone hotline to report voting rights violations and fraud</li> </ul>	<p>Title III requirements:</p> <ul style="list-style-type: none"> <li>Implement provisional voting</li> <li>Provide information to voters in the polling place</li> <li>Purchase voting systems</li> <li>Develop and implement a computerized statewide voter registration list</li> <li>Implement identification requirements for first-time voters who register to vote by mail</li> </ul>
<b>Additional Uses</b>	None	If Title III requirements are met, states may use funding for election administration improvements.
<b>Grant-Specific Requirements</b>	None	Submit a state plan outlining how the state will use payments, monitor grant compliance, and distribute funding to local governments. Plans must include a budget for activities.
<b>Required State Match<sup>1</sup></b>	None	5%

<sup>1</sup> Funds awarded to states in subsequent years for Section 101 programs had state match requirements.

Source: Election Assistance Commission documents

***New HAVA Section 101 Grant Programs***

Congress appropriated additional election funds to 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 Act (CARES) supplement.<sup>1</sup> In 2020, the EAC combined the 2018 and 2020 Election Security grants into one grant for reporting purposes. However, states were allowed to

<sup>1</sup> The 2020 CARES Act implemented numerous programs and provided funds to address issues related to the COVID-19 pandemic. The 2020 CARES Act supplement represents CARES Act funds that were appropriated to the EAC to provide states additional funds for Election Security Grants.

continue to internally account for the funds separately for accounting and administrative purposes.

Each grant program was authorized under HAVA Section 101 and required administration by the state's chief election official. States were allowed to expend grant funds at their discretion to implement activities authorized in the grant. **Exhibit 3** provides examples of permitted uses detailed in the grant legislation and EAC guidance.

### Exhibit 3

#### New HAVA Grant Programs Have Varying Permitted Uses

	2018 Election Security	2020 Election Security	2020 CARES Act Supplement
Authorization	HAVA Section 101		HAVA Section 101
Purpose	To provide funding to enhance election technology and make election security improvements.		To provide funding to prevent, prepare for, and respond to coronavirus for the 2020 federal election cycle.
Examples of Permitted Use	<ul style="list-style-type: none"> <li>• Implement post-election audit system</li> <li>• Upgrade election related computer systems to address cyber vulnerabilities</li> <li>• Facilitate cybersecurity training for state office and local election officials</li> <li>• Implement cybersecurity best practices for election systems</li> <li>• Purchase new locks or security cameras to improve physical security</li> <li>• Fund other activities that will improve the security of elections for Federal office</li> </ul>		<ul style="list-style-type: none"> <li>• Purchase personal protective equipment, cleaning materials, and hand sanitizer</li> <li>• Install and provide security for absentee or mail ballot drop-boxes</li> <li>• Communicate changes in registration or voting procedures</li> <li>• Upgrade statewide or local databases to allow online absentee or mail ballots</li> <li>• Hire temporary elections office staff</li> <li>• Acquire additional voting equipment, including high speed or central count tabulators, hardware, and software for comparison of returned absentee or mail ballots</li> </ul>
Required State Match	5%	20%	20%
Grant Period	March 28, 2018 until funds are expended		Less than 1 year Until December 31, 2020

Source: Election Assistance Commission documents

Although the new grant programs were authorized under HAVA Section 101, they were slightly different from the Election Administration Improvement program originally established by Section 101. As shown in **Exhibit 3**, the new programs provided HAVA funds for activities and improvements beyond the purchase of

voting equipment. The Election Security grants provided funds to enhance election technology, and the 2020 CARES Act supplement provided funds to prevent and respond to COVID-19. Unlike the original Section 101 grant program, the new grant programs required a state match of up to 20%.

The reporting requirements for the new grant programs also varied. For the Election Security grants, states were required to submit semi-annual and annual reports containing a description of activities funded to meet HAVA requirements and an explanation of how the activities met the goals of the state plan. Due to the short program period of the 2020 CARES Act supplement, states were required to submit a report within 20 days of each election held during the 2020 federal election cycle. These reports required states to detail how the funds were used and explain how those uses applied to the grant's purpose.<sup>2</sup>

### Georgia HAVA Grant Administration

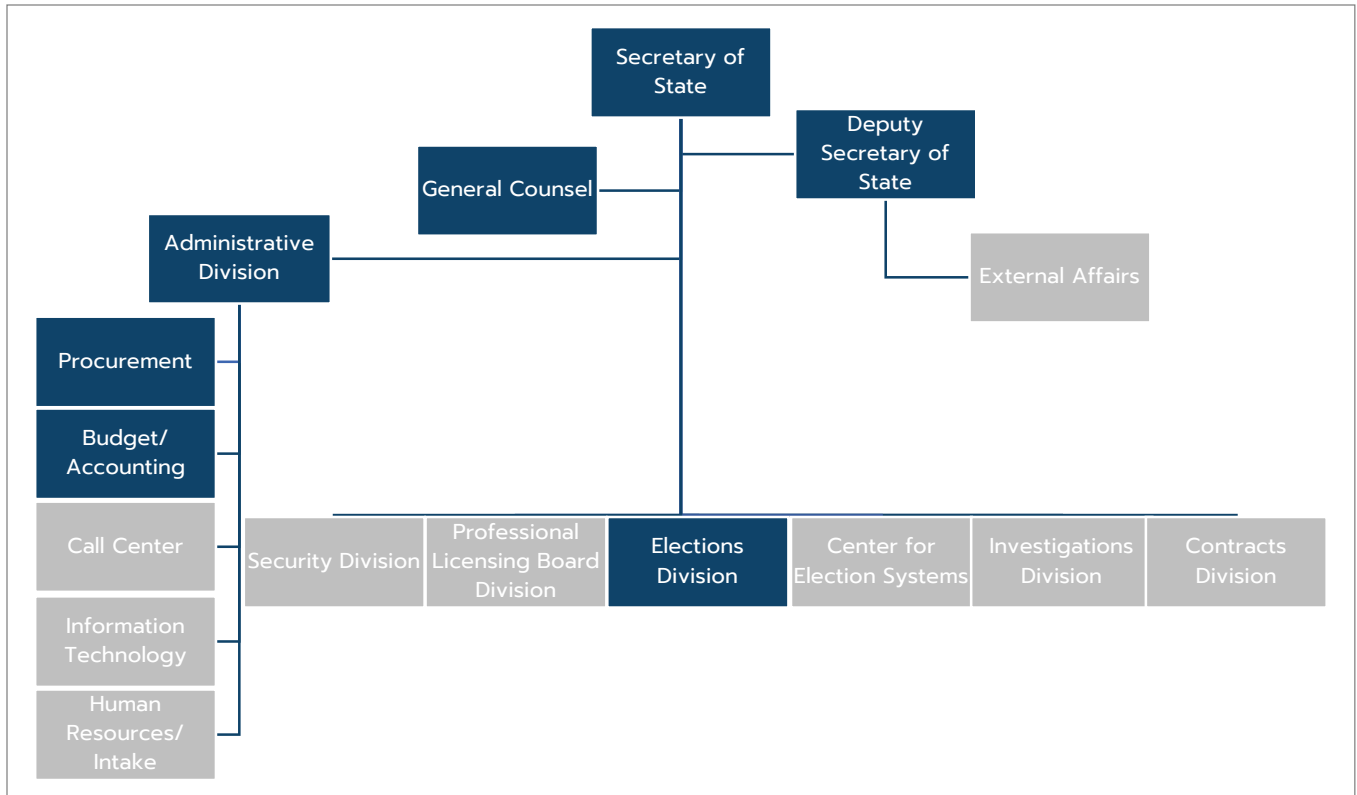
HAVA designates the state's chief election officer as the administrator of non-discretionary grant funds awarded to the state. In Georgia, the Secretary of State serves as the "chief election official" and administers federal election funds through the Office of the Secretary of State (SOS). Personnel in agency management and two divisions perform the primary duties necessary to plan, expend, monitor, and report the use of HAVA funds awarded to the state (see **Exhibit 4**).

- **The Administration Division** is responsible for general administrative support functions, including budgeting, accounting, procurement, human resources, and information technology. Division personnel administer HAVA funds by executing tasks such as managing grant funds and preparing required federal reports. The chief operating officer, who has responsibility for administrative and financial management related functions, oversees the division and—in collaboration with the deputy secretary of state and general counsel—determines how to spend HAVA funds.<sup>3</sup> The chief operating officer is also responsible for ensuring compliance with state and federal laws, rules, and regulations when expending these funds.
- **The Elections Division** is responsible for supervising and monitoring activities for municipal, county, state, and federal elections, and certifying election results. The division acts as a liaison between county elections officials and the SOS. Division personnel assist the chief operating officer with completing documents and forms necessary to comply with HAVA grant reporting requirements and assist county election officials with applying for HAVA subgrants.

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<sup>2</sup> This includes primary and run-off elections.

<sup>3</sup> At the time of this review, the duties of both the chief operating officer and the chief financial officer were combined into one position.

**Exhibit 4****Personnel in the Administration and Elections Divisions Administer HAVA Funds**

Source: Help America Vote Act of 2002

***Compliance***

SOS is responsible for ensuring HAVA funds are used in compliance with applicable federal and state requirements. When SOS accepted HAVA funds, SOS agreed to the terms and conditions and was obligated to perform in accordance with the requirements of the grants. As part of the terms and conditions, SOS agreed it had proper management controls and accounting systems. Those controls included purchasing policies and procedures that are adequate to administer federal grants. Federal and state requirements are described below.

- Federal Compliance** – Recipients of HAVA funds must ensure compliance with grant specific and other federal requirements. Federal funds and state matching funds must be deposited in the state election fund. Any interest earned on grant funds must also be retained in the state election fund. Each grant specifies the purpose and allowed uses of all funds derived from the grant, including interest and matching funds. The EAC requires periodic financial and narrative reports to track expenditures and verify that HAVA funds were used as intended.
- State Compliance** – While there are numerous state requirements applicable to agency operations, this review primarily examines SOS's compliance with applicable state procurement requirements. State entities subject to the State Purchasing Act—including SOS—must comply with the

act and the rules and regulations published by the Department of Administrative Services (DOAS) regardless of the funding source. The rules specify the roles and responsibilities of procurement officials, the process for selecting a solicitation method, and guidelines for contract administration. Agencies are required to designate an agency procurement officer responsible for ensuring agency compliance with procurement regulations.

If SOS does not comply with the HAVA grant requirements, it may result in a questioned cost by an auditor. Costs may be questioned because: 1) there was a violation or possible violation of a statute, regulation, or the terms and conditions of the federal grant, including for matching funds; 2) the costs, at the time of the audit, were not supported by adequate documentation; or 3) the costs incurred appeared unreasonable and did not reflect the actions a prudent person would take in the circumstances.

The Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards<sup>4</sup> (Uniform Guidance) § 200.339 states if a non-federal entity (such as SOS) fails to comply with the terms and conditions of a federal award, the awarding agency (EAC) may impose additional conditions and take one or more of the following actions:

- “Temporarily withhold cash payments pending corrections of the deficiencies;
- Disallow (that is, deny both use of funds and any applicable matching credit for) all or part of the cost of the activity or action not in compliance;
- Wholly or partly suspend or terminate the federal award; [and/or]
- Initiate suspension or debarment proceedings as authorized under 2 CFR part 180 and Federal awarding agency regulations.”

### *State Bond Proceeds*

In 2019, the General Assembly appropriated \$150 million from bond proceeds to purchase new voting equipment. The state used \$138.4 million of these funds to purchase the new statewide voting system through a joint initiative between multiple agencies, including DOAS, SOS, and the Georgia State Financing and Investment Commission (GSFIC). DOAS provided limited oversight of the procurement process, while SOS was responsible for the procurement and execution of all contracts and purchase orders. GSFIC was responsible for distributing bond proceeds and monitoring agency expenditures to ensure proper application of the funds.<sup>5</sup> GSFIC was also responsible for ensuring compliance with state requirements for recipients of bond proceeds.

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<sup>4</sup> The Uniform Guidance is a set of authoritative rules and regulations about federal grants from the Office of Management and Budget (OMB). The goal is to increase accountability and transparency.

<sup>5</sup> GSFIC makes payments from bond proceeds using a reimbursement process that requires documentation to support the payment request.

### *Subgrants to Counties*

SOS used a portion of the funds from HAVA grants to provide subgrants to counties. SOS distributed the funds as reimbursements for qualified election expenses for each grant and required counties to provide documentation of these expenditures. As shown in **Exhibit 5**, most of the state's 159 counties received subgrants for one or both of the grants.

- **Election Security** – SOS used these funds to provide subgrants to improve cyber and physical security for election systems, make polling sites and voting more accessible, and implement the new statewide voting system. SOS reimbursed expenditures in three categories: security, accessibility, and general implementation.<sup>6</sup> SOS provided counties a 3 to 1 match up to \$15,000 for security and accessibility expenditures and a 1 to 1 match up to \$10,000 for general implementation expenditures. This subgrant, which was for items that could be used for multiple elections, did not provide funds for consumables such as office and cleaning supplies.
- **2020 CARES Act Supplement** – SOS used these funds to provide subgrants for equipment and materials to make voting safer for voters, poll workers, and election officials in response to the coronavirus. SOS reimbursed expenditures in two categories: drop boxes and personal protective equipment/sanitizing supplies. SOS provided counties a 1 to 1 match up to \$3,000 for personal protective equipment and sanitizing supplies and a 1 to 3 match up to \$3,000 for drop boxes.

### **Exhibit 5**

#### **SOS Used HAVA Funds for Subgrants, Fiscal Years 2018-2021**

Description	Counties	Amount
Election Security	126	\$1.1M
2020 CARES Act Supplement	112	\$278,022

Source: SOS documents

<sup>6</sup> Allowable costs for security were for physical and cybersecurity expenditures such as cameras and access control. Allowable costs for accessibility included enhanced wheelchair access and mounts to lower touchscreens to wheelchair level. Allowable costs for general implementation included shelving, tables, and booths.

## Requested Information

### Question 1: How much revenue was available to the state from non-discretionary HAVA grants, state matching funds, and interest?

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. These grants include the 2018 and 2020 Election Security grants and the 2020 CARES Act supplement. The \$34.8 million also includes approximately \$2.0 million from Section 251 funds that were initially awarded in 2009 but SOS collected in September 2017.

Each grant awarded had a state match requirement. For the 2018 & 2020 Election Security grants and the 2020 CARES Act supplement, funds for the state match were from state bond proceeds. State match requirements for the 2020 CARES Act supplement were also met through county match requirements established for subgrants awarded from these funds. The state match for Section 251 funds was met through a legislative appropriation required prior to the disbursement of the grant funds.<sup>7</sup> While each award had a state match requirement, the matching funds did not necessarily increase the amount of cash available to SOS. The bond proceeds were spent by the state on the new statewide voting system, and the counties spent their portion of the match.

Three grants comprised approximately 30% each—between \$10.3 and \$11.6 million—of the \$34.8 million the state received from federal election grants between fiscal years 2018 and 2021 (see **Exhibit 6**). The 2020 Election Security grant and 2020 CARES Act supplement required a 20% state match, which totaled approximately \$2 million each, while the 2018 Election Security grant required a 5% match (totaling approximately \$515,000).

### Exhibit 6

#### Federal Election Grants, Fiscal Years 2018-2021

Description	Authorization	Grant Payments	Interest	State Match	Match Source
FY 2009 Title II Funding	Section 251	\$1,967,436	\$99,695	\$103,550	State Appropriations
2018 Election Security	Section 101	\$10,305,783	\$22,744	\$515,289	State Bond Funds
2020 Election Security	Section 101	\$11,601,395	\$10,464	\$2,320,279	State Bond Funds
2020 CARES Act Supplement	Section 101	\$10,875,912	\$2,610	\$2,175,182	State Bond and County Funds
<b>TOTAL</b>		<b>\$34,750,526</b>	<b>\$135,513</b>	<b>\$5,114,300</b>	

Source: TeamWorks Financials, SOS Georgia Fund One statements, and Election Assistance Commission reports

<sup>7</sup> The General Assembly appropriated \$122,118 to SOS for four positions and operations to prepare for future elections.

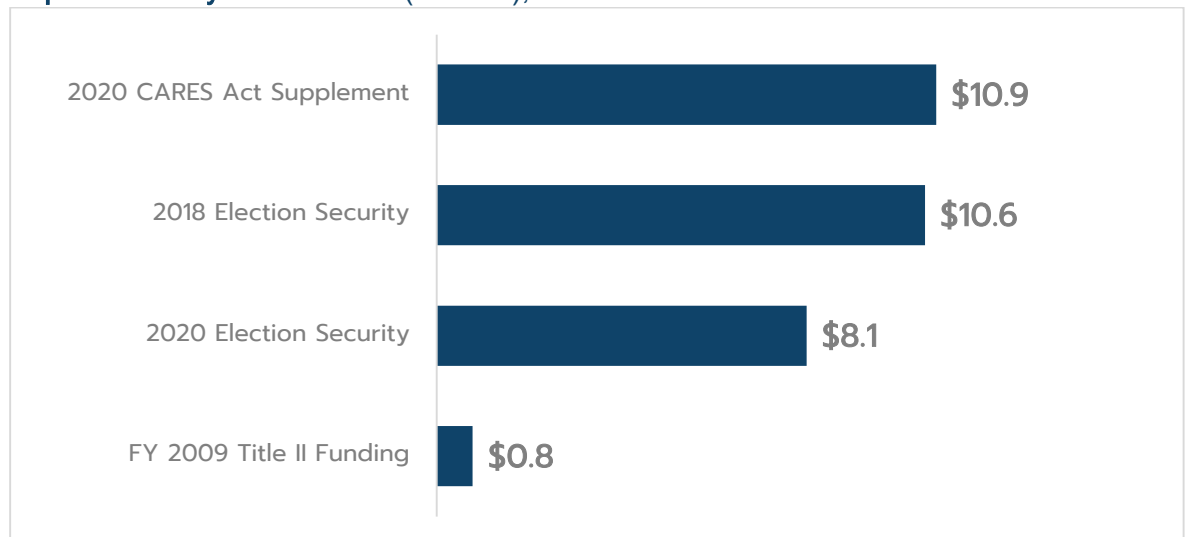
## Question 2: How did SOS spend HAVA funds?

Between fiscal years 2018 and 2021, SOS spent approximately \$30.4 million from the HAVA grants reviewed. Almost all was spent in fiscal years 2020 and 2021. SOS spent grant funds on expenditures that were allowed by the HAVA grants, with few exceptions in the sample we reviewed (see page 26). Approximately one-third of expenditures was for communication and media services.

Approximately 70% (\$21.5 million) of the state's HAVA grant expenditures were from the 2020 CARES Act supplement and the 2018 Election Security grant (see **Exhibit 7**). As discussed in the next finding, all of the 2020 CARES Act supplement was expended, while others have remaining funds.

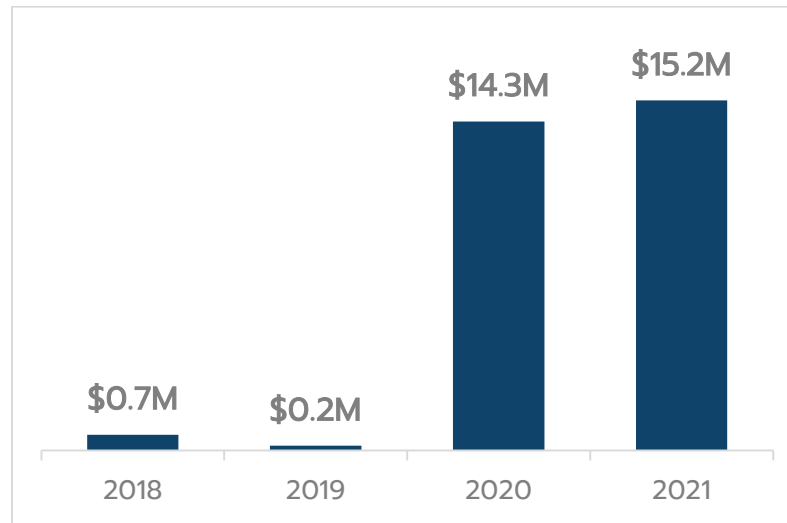
### Exhibit 7

#### Expenditures by Fund Source (Millions), Fiscal Years 2018-2021



Source: TeamWorks Financials

As shown in **Exhibit 8**, SOS spent 97% of the \$30.4 million during fiscal years 2020 (\$14.3 million) and 2021 (\$15.2 million). SOS spent less than \$1 million in HAVA grant funds in fiscal years 2018 and 2019 combined.

**Exhibit 8****\$29.5M of \$30.4M HAVA Expenditures Occurred During Fiscal Years 2020-2021**

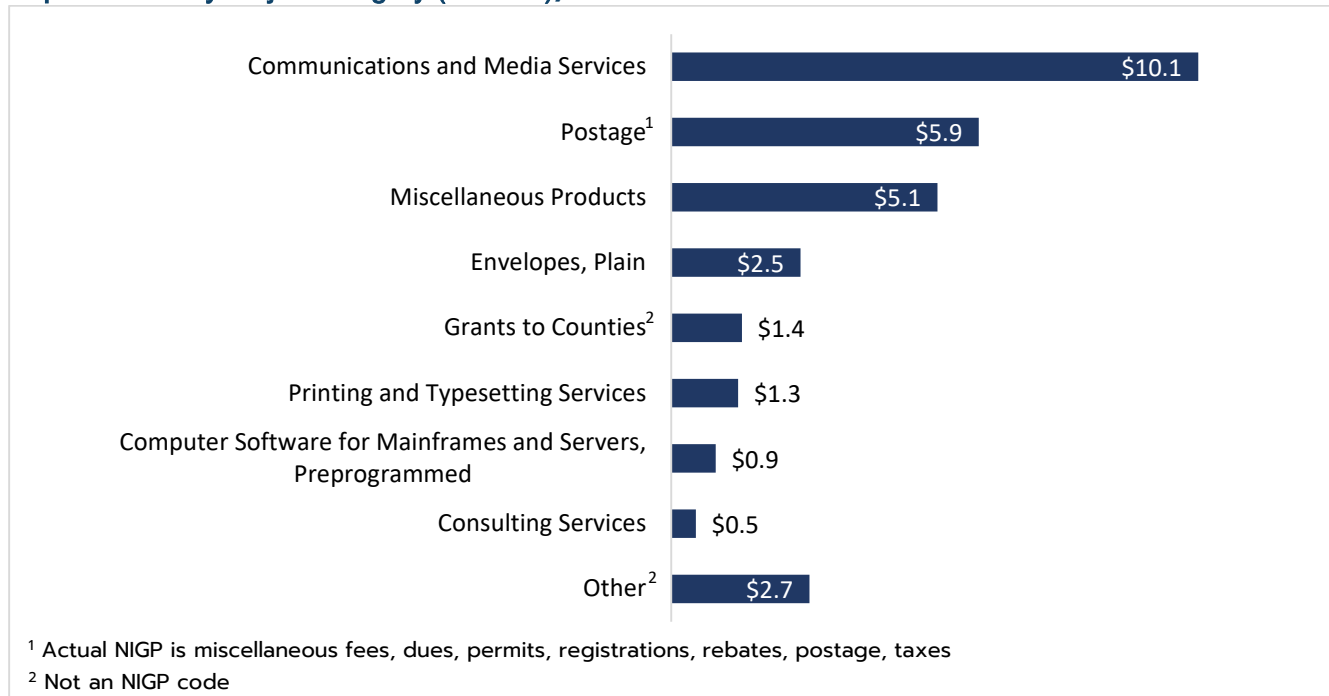
Source: TeamWorks Financials

Based on our review of NIGP<sup>8</sup> categorized expenditures and our sample of 196 transactions (see page 16), SOS spent grant funds on expenditures that were allowed by the HAVA grants. As discussed on page 10, HAVA grant funds can be spent on a wide variety of goods and services to support elections—including upgrading technology, improving cyber security, educating voters, and providing subgrants to counties. While SOS’s purchases were allowed, there were compliance issues related to how they purchased the items (discussed in Question 4), as well as documentation and other federal compliance issues (discussed in Question 5).

As shown in **Exhibit 9**, the largest percentage of HAVA expenditures (33% or \$10.1 million) was dedicated to communications and media services. The second largest—comprising nearly \$6.0 million or 20% of expenditures—was for expenditures related to miscellaneous fees, dues, permits, registrations, rebates, postage, and taxes. Approximately \$5.1 million (17%) was spent on miscellaneous products.

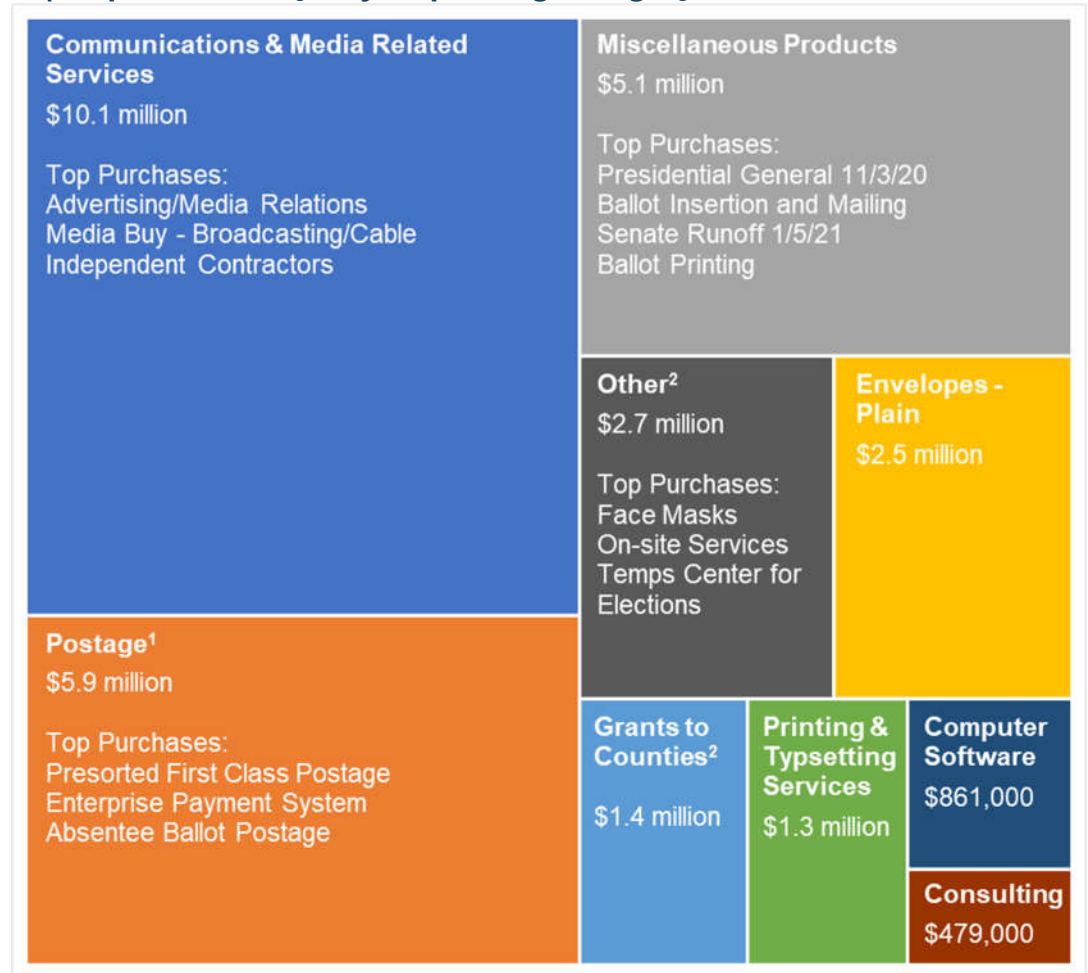
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<sup>8</sup> National Institute of Governmental Purchasing universal taxonomy for identifying commodities and services in procurement systems. Codes range from 3 digits to 11 digits and get more detailed as the number of digits increases.

**Exhibit 9****Expenditures by Major Category (Millions), Fiscal Years 2018-2021**

Source: TeamWorks Financials

**Exhibit 10** shows the top expenditures by major NIGP category. Approximately 86% of expenditures for Communications and Media Related Services was spent on advertising (\$5.0 million) and television ads (\$3.7 million). Top expenditures in the second largest NIGP category (Miscellaneous Fees, etc.) were for postage, which totaled approximately \$4.3 million (nearly 75% of expenditures in the category). Expenditures for the presidential general election of 2020 (\$1.1 million); ballot printing, insertion, and mailing (\$1.5 million); and the Senate runoff election of 2021 (\$588,000) made up 61% of expenses in the third largest NIGP category (Miscellaneous Products). A more detailed listing of top expenditures by NIGP category is provided in **Appendix C**.

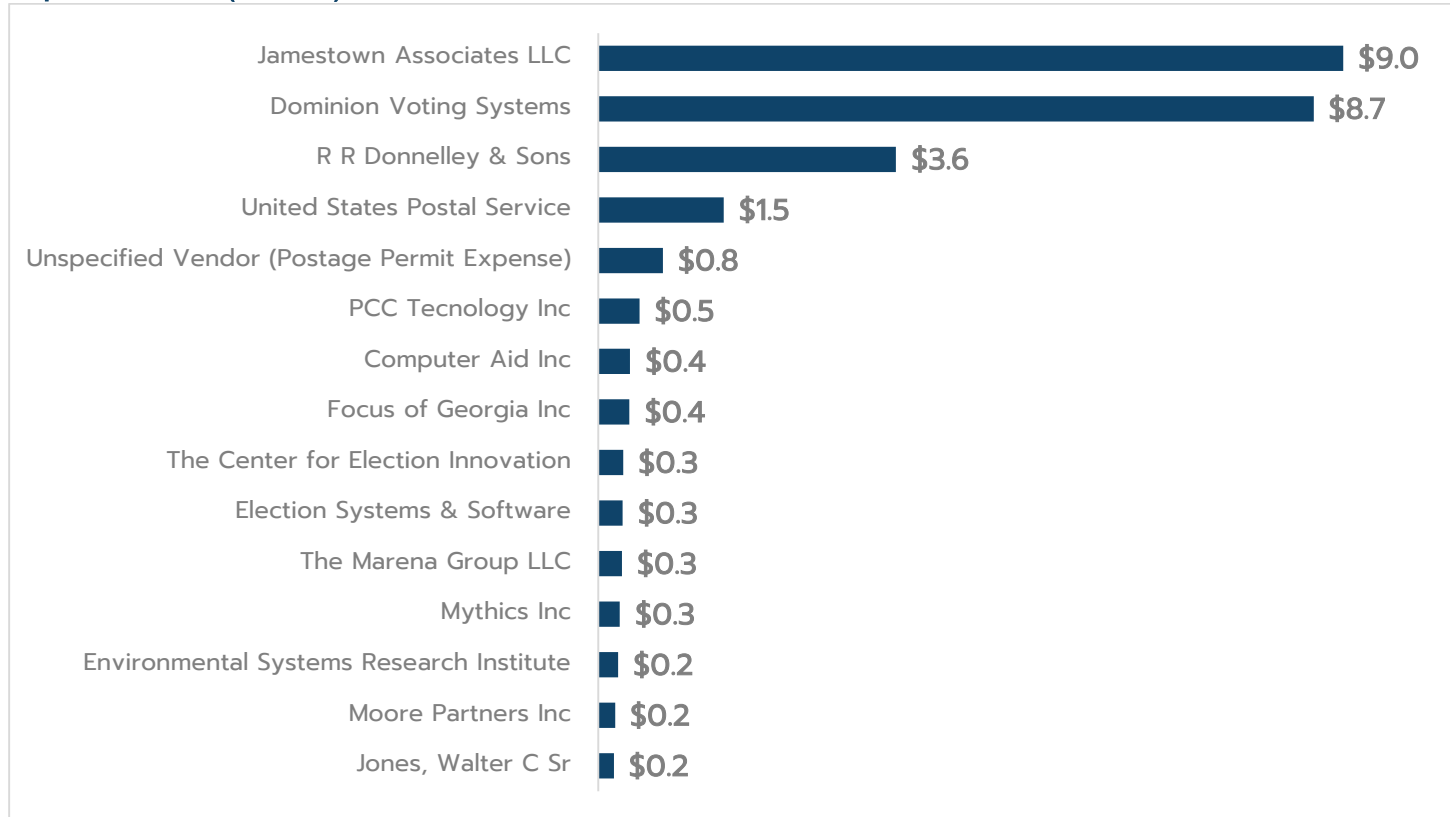
**Exhibit 10****Top Expenditures by Major Spending Category, Fiscal Years 2018-2021**

<sup>1</sup> Actual NIGP is miscellaneous fees, dues, permits, registrations, rebates, postage, taxes

<sup>2</sup> Not an NIGP category

Source: TeamWorks Financials

**Exhibit 11** shows the expenditure detail for the top 15 vendors, which represent 88% of the total spend from the four grants combined. The two most prominent vendors each received 30% of the HAVA grant expenditures. Jamestown Associates LLC received approximately \$9.0 million for communication and media services, while Dominion Voting Systems received approximately \$8.7 million for miscellaneous products, envelopes, printing services, and other expenses. RR Donnelly & Sons and the U.S. Postal Service received approximately \$3.6 million and \$1.5 million, respectively, primarily for postage. All other vendors received less than \$1.0 million (an average of \$350,000).

**Exhibit 11****Top 15 Vendors (Millions), Fiscal Years 2018-2021**

Source: TeamWorks Financials

A more detailed listing of top vendors by NIGP category is provided in **Appendix C**, along with detailed expenditures for 2018 Election Security, 2020 Election Security, and 2020 CARES Act supplement.

### Question 3: How much of the revenue derived from HAVA grants remains?

As shown in **Exhibit 12**, 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. All revenue available from the 2018 Election Security and the 2020 CARES Act supplement grants has been expended.

#### Exhibit 12

#### Approximately \$6.5 million in Federal Election Grants Remains, June 30, 2021

Variable	FY 2009 Title II Funding	2018 Election Security	2020 Election Security	2020 CARES Act Supplement
Authorization	Section 251	Section 101	Section 101	Section 101
Grant Revenue	\$3,880,341 <sup>1</sup>	\$10,305,783	\$11,601,395	\$10,875,912
Interest	\$99,695	\$22,744	\$10,464	\$2,610
State Match	\$103,550	\$515,289 <sup>2</sup>	\$2,320,279 <sup>2</sup>	\$2,175,182 <sup>2</sup>
Total Available	\$4,083,586	\$10,328,527	\$11,611,859	\$10,878,522
Expenditure	\$784,701	\$10,632,303	\$8,054,349	\$10,880,465
Remaining	\$3,298,885	\$0 <sup>3</sup>	\$3,253,734	\$0 <sup>4</sup>
Availability	Until expended	Until expended	Until expended	12/31/2020
Planned Use	Unknown	Communicate 2021 absentee ballot changes Develop a new voter registration system Implement SB 202 absentee ballot portal changes		N/A
<sup>1</sup> Includes \$1,912,905 in carry-over from fiscal year 2017.				
<sup>2</sup> State match is not included in available revenue for Section 101 grants.				
<sup>3</sup> Remaining funds are combined with 2020 Election Security.				
<sup>4</sup> This grant was exhausted.				
Source: TeamWorks Financials and SOS Georgia Fund One documentation				

#### Question 4: Did SOS spend HAVA-related grant funds in accordance with state procurement requirements?

While SOS spent HAVA funds on goods and services that were allowed, the method by which SOS purchased the goods and services did not always comply with state procurement guidance and/or state law. State procurement programs and processes help ensure: 1) adequate controls to detect and deter fraud, misuse, and abuse; 2) payment for only approved purchases; 3) competitive pricing for common goods and services; and 4) the accuracy of data collected regarding state purchases. Approximately half of the transactions we reviewed did not comply with at least one state procurement requirement.

State purchasing laws and policies are designed to create safeguards in the procurement system to increase public confidence and ensure quality and integrity.

To comply with federal grant requirements, HAVA funds must also be spent in accordance with state purchasing laws and regulations (see text box). Title 50, Article 3 in state statute contains the code sections related to state purchasing. The article's goal, in part, is "to provide for increased public confidence in the procedures followed in public procurement and to provide safeguards for the maintenance of a procurement system of quality and integrity." Article 3 gives the Department of Administrative Services (DOAS) the power and authority to develop, maintain, and oversee the state's purchasing process.

Under Georgia law, all state government entities subject to the State Purchasing Act (O.C.G.A. § 50-5-50 *et seq.*, found within Article 3) must comply with the act and the rules and regulations published by the State Purchasing Division (SPD) within DOAS, regardless of funding source. SPD publishes procurement rules in the Georgia Procurement Manual (GPM), which details the requirements of state purchasing, including how to use credit cards (i.e., purchasing cards), how to contract for materials and services, and the use of purchase orders. As a state government office, SOS is subject to the State Purchasing Act.

To assess whether SOS complied with state procurement requirements while spending HAVA funds, we examined a stratified random sample of 196 transactions from fiscal years 2018 to 2021.<sup>9</sup> In nearly half of these transactions (92), SOS's procurement practices did not comply with state requirements (though the goods and services purchased were allowable). The most significant areas of non-compliance are discussed below. It should be noted that these transactions were reviewed by SPD staff to confirm the validity of our conclusions.

Federal Uniform Guidance §200.317 states that "when procuring property and services under a federal award, a State must follow the same policies and procedures it uses for procurements from its non-Federal funds."

<sup>9</sup> The sample was drawn from the population of unique purchase order and accounts payable transactions primarily from HAVA FY 2009 Title II, 2018 HAVA Election Security, 2020 CARES Act supplement, and 2020 HAVA Election Security fund sources for fiscal years 2018 through 2021. County grants were excluded. The sample was designed so the number and frequency of transactions (but not dollar value) of both compliant and non-compliant transactions could be projected to the population.

### Statewide Purchasing Card Program

The Statewide Purchasing Card Policy (which is promulgated pursuant to O.C.G.A. § 50-5-83) establishes that the only credit card program authorized for use by state agencies for goods and services is the “p-card” program provided under DOAS’s mandatory statewide contract. Agencies have the option to pay for goods and services by ACH, e-payables, or state p-card; however, those that would like the convenience of a credit card must participate in the state p-card program.

In reviewing the 196 transactions in our sample, we identified three that were made using a credit card that SOS acquired separate from the state p-card program. These “agency” card purchases totaled \$177 and were made to provide chat box communication capabilities for the agency’s Secure the Vote website. However, an expanded review of credit card statements for January 2020 through June 2021 showed that SOS used the card for over 100 transactions totaling approximately \$31,000, indicating more significant use. The state p-card program generates revenue for the state from rebates earned on purchases. The SOS credit card does not generate rebates for the state or SOS.

SOS staff stated they decided not to participate in the state p-card program because they believe the process is cumbersome. The processes, however, are designed to help ensure proper stewardship of taxpayer funds. The state p-card program includes a system of control activities that include policies and procedures, training requirements, cardholder spending limits, and merchant category restrictions. In addition to ensuring compliance with state procurement laws, these controls detect and deter fraud, cardholder misuse, and abuse. The p-card program is also continuously monitored and audited by DOAS, which includes collecting and publishing what was purchased. By not participating, SOS is not subject to the same independent oversight—or transparency—as the state entities (approximately 100) that participate in the state’s p-card program.<sup>10</sup>

***Agency Response:*** *SOS stated they are working to participate in the state’s p-card program. SOS believed that acquiring a credit card through their banking provider was allowable because there is a statewide contract to use the bank’s products. After clarifying discussions with DOAS, SOS has decided to participate in the p-card program.*

### Use of Personal Credit Card

In addition to using the SOS credit card discussed above, our review found that employees pay SOS business expenses with personal credit cards. Six of the 196 sampled transactions were reimbursements to employees for operational business expenses that appear to be recurring and/or non-emergency in nature. The six transactions totaled approximately \$2,800 for expenses that include a quarterly renewal for “dedicated hosting renewal,” “dedicated server renewal,”

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<sup>10</sup> For each state entity that participates in the state purchasing card program, the program is administered by the entity’s agency procurement officer, who serves as a liaison between the entity and the State Purchasing Division.

and supplies for voter education. An expanded review of accounting records for two employees for the period February 2019 through December 2021 showed that approximately \$34,000 in SOS business expenses were paid with employees' personal credit cards, indicating more significant use.

A state employee's use of a personal credit card for agency operational expenses is highly unusual, unnecessary, and does not align with the State Accounting Office's Payment Method Policy and the Statewide Purchasing Card Policy. The use of a personal credit for non-travel expenses also creates additional challenges to accounting processes, which can lead to errors (see the double reimbursement discussed on page 26). Finally, similar to the agency credit card, personal credit cards do not generate rebates for the state.

In at least one instance, the COO/CFO earned reward points from a business purchase made for SOS operations with their personal credit card (given the volume stated above, it is likely more than one instance). While the SAO Travel Policy allows state employees to earn reward points for expenses associated with official state travel, these purchases were not for travel but for goods and services defined by Article 3. O.C.G.A. § 50-5-80 states: "It shall be unlawful for any person to obtain for his or her own personal benefit, or for the benefit of any other person, any goods, services or other things of value, through any resource or method established pursuant to this article, including, but not limited to, purchase orders, government contracts, credit cards, charge cards, or debit cards."

***Agency Response:*** *SOS stated that some vendors required the use of a credit card and "because we did not have a p-card or agency credit card...employees or contractors sometimes had to put certain purchases on their personal credit card and get reimbursed." SOS noted that employees would only be reimbursed if SOS approved the expense, and the purchase was properly documented.*

### **Mandatory Statewide Contracts**

State procurement policy requires agencies to use a mandatory statewide contract whenever possible to leverage the state's aggregate purchasing power and ensure competitive pricing for common goods and services.<sup>11</sup> Entities can bypass the requirement by obtaining a written waiver from SPD that indicates the mandatory statewide contract does not meet the state agency's need.

Rather than using an available mandatory statewide contract, SOS independently contracted with seven vendors for public relations services that totaled approximately \$500,000 (ranging from approximately \$30,000 to \$60,000) without seeking a waiver from SPD. The mandatory statewide contract for temporary staffing for administrative services<sup>12</sup> includes nine vendors that

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<sup>11</sup> The Georgia Procurement Manual (Section 1.3) establishes Order of Precedence. Mandatory statewide contracts represent the first tier and highest priority. The second tier is for existing state entity contracts, which are previously negotiated contracts between agencies and vendors. The third tier allows a choice of either Georgia Enterprise for Products and Services or Georgia Corrections Industry Administration products. Tier four represents the broadest of choices and includes open market purchases.

<sup>12</sup> Temporary administrative services can be found in Contracts # 99999-001-SPD0000136-0001 through 0009.

provide professional temporary staffing services, including project management, public relations, and strategic communication. SOS posted a job announcement on its website to identify and select its own vendors even though it did not obtain a written waiver from SPD for these services.

Similarly, SOS did not obtain a waiver for its contract with two vendors for cybersecurity services, which are also available through the mandatory statewide contract.<sup>13</sup> The three transactions totaled \$194,000 (ranging from approximately \$8,000 to \$125,000).

**Agency Response:** *SOS stated that “for the public relations specialists described in the audit, we did not believe that there was a mandatory statewide [contract] that applied and therefore did not seek a waiver. For the cybersecurity services, we went through a competitive bid process which we understand is an exception to the mandatory statewide contract requirement. [We] understand that the document indicating the intent to award the contract was not properly uploaded to the DOAS procurement website even though the DOAS system was updated to reflect that the contract had been awarded. SOS policy is to always comply with all relevant state purchasing requirements, therefore we agree with your recommendation.”*

#### **Purchase Order Policy**

SAO’s statewide policy requires agencies to use a purchase order for purchases or obligations to purchase goods and services greater than \$2,500 with few exceptions.<sup>14</sup> A purchase order is a contract between a buyer and a vendor that is used to encumber funds and establish the purchase’s minimum terms, conditions, and specifications. The purchase order process is part of a system of internal control that involves multiple approvals and helps control spending by limiting purchases to budgeted items. It also facilitates the state’s efforts to collect data on agencies’ purchases for monitoring purposes. SAO requires agency management to monitor their purchasing activity to ensure purchase orders are being used as required.

In 30 (15%) of the 196 HAVA grant transactions in our sample, SOS did not comply with the purchase order policy because it paid for the goods and services using vouchers rather than purchase orders. Vouchers are direct payments to a vendor and have fewer internal controls as discussed above. None of the voucher expenditures—typically temporary staff and advertising—were exempt from the

purchase order policy. The purchases ranged from approximately \$2,600 to \$246,000, totaling \$1.1 million.

**Agency Response:** *SOS stated that the new CFO is implementing an internal policy to ensure that purchase orders instead of vouchers are used for non-*

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<sup>13</sup> Temporary staffing for information technology services can be found in Contract #99999-001-SPD0000149-0001.

<sup>14</sup> SAO exempts certain purchases from the requirement, including membership dues, legal fees, and travel expense reimbursements.

*exempt transactions greater than \$2,500.*

### **Emergency Purchases**

According to the GPM, an emergency purchase can be made to meet an urgent or unexpected need arising from unforeseen circumstances such as extreme weather conditions or official declared emergencies. Emergency purchases are an exception to some purchasing requirements and do not require prior SPD approval. However, the GPM requires agencies to properly document the emergency nature by completing the emergency justification form and using the purchase type code of “EMER” and the phrase “emergency purchase” on the purchase order. O.C.G.A. § 50-5-71 requires emergency purchases to be identified and reported as such to DOAS. DOAS staff audit emergency purchases every fiscal year but audit those related to COVID-19 monthly.

During the COVID-19 pandemic, SOS purchased face masks and hand sanitizer for poll workers across the state. SOS spent approximately \$290,000 on face masks and \$124,000 on hand sanitizer for a total of approximately \$413,000. While these were allowable emergency purchases, SOS incorrectly identified both transactions as “open market purchases” and did not submit an emergency justification form to SPD. An expanded review of accounting records showed an additional four emergency purchases that were incorrectly identified (one emergency purchase is discussed on the next page).

Because emergency purchases bypass normal procurement procedures, documentation is important to allow SPD to retroactively review the purchases to ensure they were appropriate and necessary. As such, proper coding and documentation helps ensure transparency and allows SPD to provide the necessary assurance that these were legitimate purchases.

In a recent media report, SOS staff indicated that they followed a state purchasing memo that allowed emergency purchases. While the memo does note that “emergency procurements are handled outside the normal solicitation process,” it also states that “buyers must document the emergency purchase as required by the [GPM]” regardless of the dollar value, which SOS did not do. SPD staff indicated other state agencies followed these documentation requirements (unlike SOS); for example, in fiscal years 2020 and 2021, the Georgia Emergency Management Agency properly documented approximately 300 transactions for items such as personal protective equipment, hand sanitizer, and test kits.

***Agency Response:*** *SOS stated that it attempted to follow DOAS guidelines when purchasing personal protective equipment, but “we recognize that the PO type should have been listed as emergency and the emergency justification should have been submitted to DOAS. We are working with our new CFO to implement an internal policy to ensure that these processes are correctly followed in the future.”*

### SOS Transacting Business with Employee

O.C.G.A. § 45-10-23(a) states it is “unlawful for any full-time employee, for himself or on behalf of any business in which such employee or member of his family has a substantial interest, to transact any business with the agency by which such employee is employed.” This statute helps avoid any conflict of interest that might arise between the employee’s personal and financial interests and their duties as an employee with the state and agency.

SOS hired its COO/CFO as a contractor to provide a range of consulting services, including services related to the implementation of the new statewide voting system (see text box).<sup>15</sup> As shown in **Exhibit 13**, there was no break in service between when the individual was a full-time SOS employee and an independent contractor. As such, the employee conducted business transactions—specifically contract negotiation that resulted in higher pay—while employed with SOS, which may not comply with state law.

This was investigated by the Office of the State Inspector General (OIG), which in a March 2020 letter found that the work “created the appearance of a conflict of interest” and thus violated the Code of Ethics for Executive Branch Officers and Employees.<sup>16</sup> According to the OIG, the actual or perceived conflict of interest was resolved when the employee resigned and discontinued use of an SOS email account. Based on its findings, the OIG recommended that SOS consider the Ethics Order in all contractual relationships and utilize DOAS expertise regarding complex procurement issues. Additionally, OIG recommended SOS conform with state policies and procedures in its contracting. See **Appendix D** for a copy of the OIG letter.

### Scope of Services for Contract Reviewed

“SOS agrees to engage Independent Contractor and Independent Contractor agrees to provide expertise and consultative services related to project management, vendor management, project implementation, as well as conducting statewide voting system policy and strategy review on behalf of SOS. Independent Contractor agrees that the scope of work covered by this agreement also includes any project(s) or assignments regularly and on an as needed basis to the Independent Contractor by SOS during the term of the agreement. Independent Contractor agrees to accept such engagements with SOS as assigned.”

Source: SOS documents

However, it appears the employee continued to perform COO/CFO tasks for SOS following the OIG investigation. For example, we identified multiple instances in which the employee used his personal credit card (see page 17) or business checking account for operational business expenses that SOS should have paid

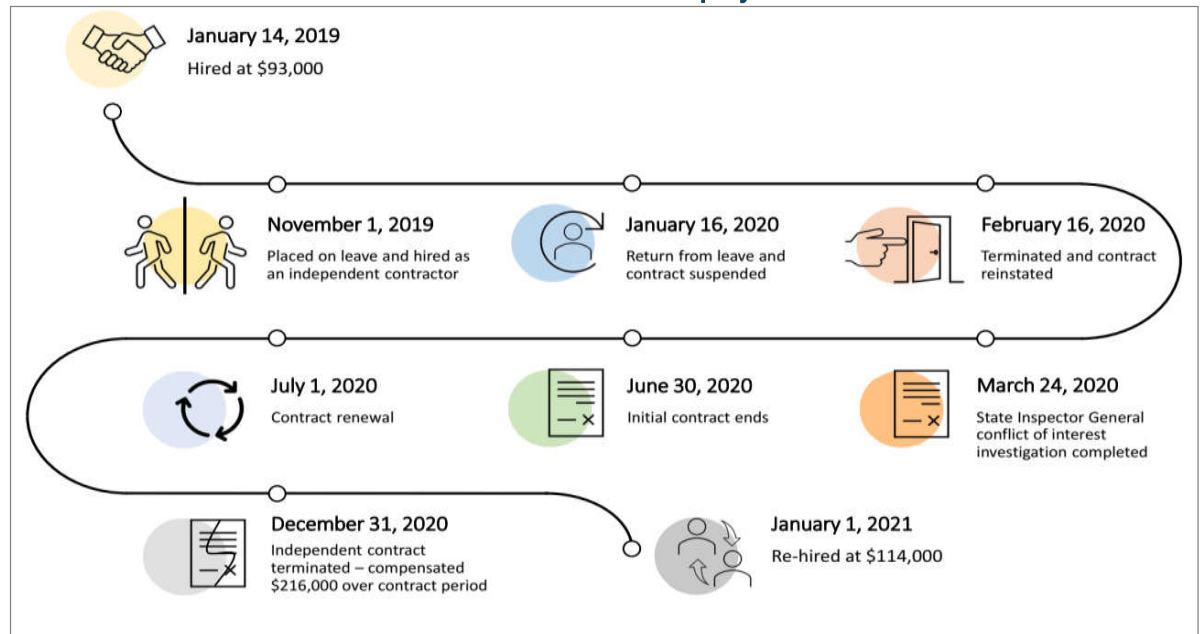
<sup>15</sup> We included this contract in our review because some reimbursements made to the contractor were paid with HAVA funds and were included in the stratified random sample of transactions. Additionally, the request from the House Appropriations Committee asked us to review all contracts for services.

<sup>16</sup> The Ethics Order states that executive branch employees “shall make every effort to avoid even the appearance of a conflict of interest.” Though it mentions O.C.G.A. § 45-10-23(a) in its letter, OIG was silent on potential violations.

for directly (e.g., data center supplies, cell phone data, video storage). Additionally, there is evidence the employee communicated with and advised SOS personnel regarding accounting and procurement activities while also acting as a contractor. Based on the OIG's letter, these activities were likely not appropriate given OIG's understanding that the employee's activities as COO/CFO had ended and its recommendation to "remediate any actual or perceived conflicts of interest."

### Exhibit 13

#### The Contract Timeline Shows No Break Between Employment and Contract



Source: SOS documents

Additionally, O.C.G.A. § 45-10-26 requires all state officials or employees to disclose prior year transactions for which they have a substantial interest.<sup>17</sup> The employee did not submit the disclosure to the Georgia Government Transparency and Campaign Finance Commission by the January 2020 or January 2021 deadlines.

O.C.G.A. § 45-10-23(a) addresses the employee's participation in the transaction, but SOS's participation is also questionable. It is unclear why the employee did not perform the necessary project management services as a state employee rather than a contractor. SOS noted that GSFIC policies do not allow bond funds to be used for the salary of a state employee. However, other funding sources, such as HAVA, could have been used so the COO/CFO could remain a state employee in a different role/position. SOS could have assigned the project management duties to the employee while reassigning the COO/CFO duties to

<sup>17</sup> The requirement to disclose transactions applies when a single transaction is greater than \$2,500 and the aggregate of all transactions is greater than \$9,000. The disclosure must be submitted by January 31<sup>st</sup> of each year.

other employees.<sup>18</sup>

SOS justified the employee contract as an emergency procurement, which is an exception to O.C.G.A. § 45-10-23(a) if—according to the GPM—the agency seeks competitive bids. However, SOS labeled the purchase order related to the contract as “exempt” from competitive bidding requirements, citing an NIGP code related to Advertising and Public Relations. DOAS staff stated the work performed does not appear to be related to this category (see text box on page 21). Furthermore, SOS did not follow emergency purchase procedures described on page 20.

***Agency Response:*** *SOS stated that the circumstances surrounding this contract were “unique and not something we envision occurring again” and that “throughout the time [the individual] was a contractor, we were extremely careful about ensuring that he was not [acting as] an employee.” Also, while the COO/CFO was overseeing the voting system implementation, SOS hired a well-respected former controller at other state agencies to complete financial tasks.*

## RECOMMENDATIONS

SOS should take steps to implement an adequate system of internal controls related to its contracting and procurement activities by coming into compliance with state law, policies, and guidance. Specifically:

1. SOS should discontinue the use of credit cards outside the state p-card program, including the use of:
  - a. personal credit cards for non-travel regular operating expenses for SOS and
  - b. agency credit cards from a non-approved financial institution.
2. SOS should participate in and comply with the statewide p-card program as required.
3. SOS should immediately comply with state purchasing requirements, which include but are not limited to:
  - 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.

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<sup>18</sup> SOS hired a part-time contractor to perform financial-related duties during the time the COO/CFO was operating as a contractor.

4. To avoid conflict of interest, SOS should not transact business with its employees as required by law.

**Question 5: Did SOS spend HAVA-related grant funds in accordance with federal grant requirements?**

SOS should take steps to improve its compliance with federal grant requirements. Federal grant recipients are required to ensure that funds are used for expenditures that are allowable, allocable, and reasonable (see text box). Each grant specifies the purpose and allowed use of all funds derived from the grant, including interest and matching funds. States are also subject to periodic reporting requirements for federal funds and inventory requirements for property purchased with grant funds. In addition to our review, EAC conducts regular audits of states' compliance with HAVA requirements and is currently conducting a compliance audit of SOS.

Federal funds must be used for expenditures that are:

**Allowable**

Necessary and reasonable for proper and efficient performance & administration of activities funded under the grant.

**Allocable**

Directly relate to the objectives and activities planned and included in the approved budget.

**Reasonable**

Do not exceed what a prudent person would pay under the circumstances.

As discussed in Question 4, transactions that do not comply with state purchasing requirements are also out of compliance with federal grant requirements. To assess compliance with other federal requirements, we used our stratified random sample of 196 HAVA grant transactions from fiscal years 2018 to 2021. Twenty-six transactions were out of compliance. The non-compliance in each of the areas reviewed is described below.

**Unsupported Costs**

HAVA Title IX requires recipients of payments under the Act to keep transactions consistent with sound accounting principles that will facilitate an effective audit. These transactions must fully disclose the amount and disposition of grant funds. The Uniform Guidance 2 CFR § 200.403(g) requires costs to be adequately documented to be allowable.

Adequate documentation provides evidence to support the transaction for bookkeeping purposes and contains the information necessary to verify whether grant funds were used as permitted. Supporting documentation should indicate the date of the transaction, vendor name, total cost, a clear description of the goods purchased, and justification for the purchase.

SOS was unable to provide adequate documentation for 23 transactions in our sample, resulting in \$576,000 in questioned costs. For 17 (74%) of these

transactions, SOS provided documentation, but it was not adequate to validate the expenditures and assess grant compliance. For example, the documentation for some transactions consisted of a purchase order or request for expenditure but did not include an invoice or receipt to demonstrate that the purchase was actually made. The documentation for other transactions included an invoice but did not adequately describe the goods or services purchased or the reason for the expense (e.g., “phone data”, “tablecloths”).

***Agency Response:*** SOS stated that it is their existing policy to maintain documentation that describes the goods or services purchased and the reason for the expense. It also noted that “we will work with our new CFO to reinforce an internal policy that ensures that all invoices adequately describe the services.”

### **Unallocable Expenditures**

EAC guidance to grant recipients specifies that states can use HAVA grant funds for expenditures that are allowable, allocable, and reasonable (see text box on page 25). These requirements apply to expenditures paid from the federal grants, matching funds, and any interest earned on these funds. Recipients must repay any funds that were not used in compliance with grant criteria.

SOS used HAVA funds to pay for three transactions in our sample (which totaled \$1,600) that should not have been paid from these funds. SOS used approximately \$90 to pay court reporter fees SOS incurred for a motion hearing related to its Real Estate Commission, which does not perform election activities. Additionally, SOS reimbursed the COO/CFO twice for the same personal credit card expenditure of \$1,515. When we inquired about this duplicate reimbursement, SOS officials stated that they were not aware the charge had already been reimbursed. The COO/CFO repaid these funds in November 2021 (nearly a year after the duplication occurred).

***Agency Response:*** SOS stated that “the appropriate ledger adjustments have been made to clarify that [these expenses] should have been paid with state funds.” The new CFO is implementing internal policies to ensure this does not happen in the future.

### **Federal Reporting**

The EAC requires HAVA grant recipients to periodically submit progress and financial reports for each individual grant.<sup>19</sup> Progress reports describe progress on activities supported under each grant, and financial reports provide cumulative information about each grant’s expenditures and interest accrued. These reports are due semi-annually until all funds, including interest are

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<sup>19</sup> The EAC also requires states to maintain documentation for all expenditures reported in the financial report for audit purposes.

expended.<sup>20</sup> Each grant's semi-annual and annual report for the 2021 federal fiscal year were due by April 30, 2021, and December 29, 2021, respectively.

As of the end of December 2021, SOS had not submitted the required mid-year or annual progress and financial reports for its four active grants.<sup>21</sup> Submitting required federal reports to the EAC by the required due date provides evidence that grant funds were used as intended. These reports also provide the EAC the information necessary to facilitate an effective audit.

***Agency Response:*** *SOS stated that all reports have now been filed with the EAC. SOS has added an internal auditor and a new CFO to its staff to ensure that their "workload is balanced in a way that allows all future reports to be filed on time."*

### **Property Records**

SOS used a portion of its expenditures for the statewide voting system to meet the statewide match requirements for HAVA grants. As such, the equipment distributed to the state's 159 counties was subject to federal requirements for personal property. Section 200.313 of the federal Office of Management and Budget guidance requires states to use, manage, and dispose of equipment purchased with grant funds in accordance with their state laws. O.C.G.A. § 50-16-160 requires agencies to maintain a current inventory of all movable personal property. Statewide accounting policy and procedures require agencies to record and report capital assets valued at \$5,000 or more and conduct a physical inventory every two years.

SOS purchased a cloud-based inventory system for county election officials to manage the equipment inventory. However, our review found that SOS did not ensure that counties used the inventory system as intended. SOS also did not add equipment currently located in its warehouse to the inventory system.

An accurate and complete inventory of equipment provides the information necessary to conduct a physical inventory. It also ensures compliance with state requirements for personal property.

***Agency Response:*** *SOS stated that they are in the process of getting the inventory tracking system fully implemented and ensuring that county election officials properly input data.*

### **Subgrants to Counties**

SOS used HAVA funds to provide subgrants that reimbursed counties for eligible expenses. SOS required counties to submit documentation of the expenditures in their subgrant application. Our limited review of subgrant documentation, which

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<sup>20</sup> Reporting requirements for the 2020 CARES Act supplement differed from other HAVA grants. The CARES Act supplement required states to submit reports to the EAC within 20 days of each election held during the 2020 federal election cycle.

<sup>21</sup> Grants remain active until all funds have been spent, reconciled, and closed. SOS's active grants include Section 101, Section 251 requirements payments, Election Security (2018 and 2020) and the 2020 CARES Act supplement. While SOS spent all of the funds received from the 2020 CARES Act supplement, the grant remains active until all funds are reconciled.

did not identify significant problems, indicated that SOS reimbursed counties for items that were allowable.<sup>22</sup> SOS used approximately \$1.1 million (9%) from the 2020 Election Security grant and \$278,000 (3%) from the 2020 CARES Act supplement for subgrants.<sup>23</sup>

## RECOMMENDATIONS

To comply with HAVA grant requirements, SOS should take steps to improve its grants administration in the following areas:

1. SOS should maintain documentation that describes the goods or services purchased and the reason for the expense.
2. SOS should limit the use of HAVA funds to expenditures that are necessary for the administration of activities funded under the applicable grant.
3. SOS should submit required progress and financial reports for each active grant by the required due date.
4. SOS should record equipment associated with the statewide voting system in the inventory system and conduct an inventory every two years.

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<sup>22</sup> The sample of subgrant documents reviewed was not large enough to project these results to the total population.

<sup>23</sup> SOS awarded subgrants from Election Security funds prior to the consolidation of the 2018 and 2020 grants.

## Appendix A: Table of Recommendations

<b>Question 1: How much revenue was available to the state from non-discretionary HAVA grants, state matching funds, and interest? (p. 15)</b>
No Recommendations
<b>Question 2: How did SOS spend HAVA funds? (p. 16)</b>
No Recommendations
<b>Question 3: How much of the revenue derived from HAVA grants remains? (p. 21)</b>
No Recommendations
<b>Question 4: Did SOS spend HAVA-related grant funds in accordance with state procurement requirements? (p. 22)</b>
<ol style="list-style-type: none"> <li>1. SOS should discontinue the use of credit cards outside of the state p-card program, including the use of:               <ol style="list-style-type: none"> <li>a. Personal credit cards for non-travel regular operating expenses for SOS, and</li> <li>b. Agency credit cards from a non-approved financial institution.</li> </ol> </li> </ol>
<ol style="list-style-type: none"> <li>2. SOS should participate in and comply with the statewide p-card program as required.</li> </ol>
<ol style="list-style-type: none"> <li>3. SOS should immediately comply with state purchasing requirements, which include but are not limited to:               <ol style="list-style-type: none"> <li>a. SOS should request waivers from mandatory statewide contracts as required.</li> <li>b. SOS should use a purchase order for all nonexempt purchases greater than \$2,500.</li> <li>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.</li> </ol> </li> </ol>
<ol style="list-style-type: none"> <li>4. To avoid conflict of interest, SOS should not transact business with its employees.</li> </ol>
<b>Question 5: Did SOS spend HAVA-related grant funds in accordance with federal grant requirements? (p. 30)</b>
<ol style="list-style-type: none"> <li>5. SOS should maintain documentation that describes the goods or services purchased and the reason for the expense.</li> </ol>
<ol style="list-style-type: none"> <li>6. SOS should limit the use of HAVA funds to expenditures that are necessary for the administration of activities funded under the applicable grant.</li> </ol>
<ol style="list-style-type: none"> <li>7. SOS should submit required progress and financial reports for each active grant by the required due date.</li> </ol>
<ol style="list-style-type: none"> <li>8. SOS should record equipment associated with the statewide voting system in the inventory system and conduct an inventory every two years.</li> </ol>

## Appendix B: Objectives, Scope, and Methodology

### Objectives

This report examines the Office of the Secretary of State's (SOS) administration of the Help America Vote Act (HAVA) grants. Specifically, our examination set out to determine the following:

1. How much revenue was available to the state from non-discretionary HAVA grants, state matching funds, and interest?
2. How did SOS spend HAVA funds?
3. How much of the revenue derived from HAVA grants remains?
4. Did SOS spend HAVA-related grant funds in accordance with state procurement requirements?
5. Did SOS spend HAVA-related grant funds in accordance with federal grant requirements?

### Scope

This special examination generally covered activity related to SOS's HAVA grant administration for non-discretionary funds received from the federal Election Assistance Commission (EAC) between fiscal years 2018 and 2021, with consideration of earlier or later periods when relevant. Information used in this report was obtained by reviewing relevant state and federal laws and regulations, interviewing SOS staff, and reviewing reports of grant activities. We interviewed grant management staff at the EAC and reviewed EAC guidance to states, grant disbursement and expenditure reports, and federal financial reports. We also interviewed staff at Georgia agencies responsible for issuing policies and providing oversight for procurement, accounting, and other financial functions.

We extracted financial information from *TeamWorks*, including all SOS general ledger expense and revenue records for HAVA fund sources from fiscal year 2018 through 2021. We assessed the controls over this data and determined that the data used were sufficiently reliable for our analyses when supplemented with two additional sources. These sources include post-closing expenditure adjustments for fiscal year 2020 provided by the State Accounting Office and Georgia Fund 1 documentation on interest earned on HAVA grant funds provided by SOS.

Government auditing standards require that we also report the scope of our work on internal control that is significant within the context of the audit objectives. We reviewed internal controls as part of our work on Objectives 1, 2, and 5. Specific information related to the scope of our internal control work is described by objective in the methodology section below.

### Methodology

**To determine how much revenue was available to the state from non-discretionary HAVA grants, state matching funds, and interest,** we reviewed HAVA award notices and correspondence regarding disbursements for each HAVA grant administered by the EAC. Each of these grants are included in the Catalog of Federal Domestic Assistance: 90.401 for Section 251 Requirements Payments and 90.404 for 2018 and 2020 Election Security grants and 2020 CARES Act supplement (90.404). We also interviewed officials at the Office of the State Treasurer (OST) to identify and collect information regarding SOS's interest-bearing accounts. We reconciled the amounts in federal award documents with information from agency bank statements, Georgia Fund 1 statements for SOS's grant

accounts, and financial information from *TeamWorks*. Our comparison identified variances in the amount of interest reported in *TeamWorks* and Georgia Fund 1 account statements for some HAVA accounts. Because SOS staff used Georgia Fund 1 account statements to manually enter interest into *TeamWorks*, we relied on information from the Georgia Fund 1 account statements to analyze interest earnings for SOS's HAVA grant accounts.

To determine the amount of bond proceeds appropriated to SOS and the extent to which they were used as matching funds, we reviewed the fiscal year 2020 appropriations bill, financial information from *TeamWorks*, and agency correspondence. We also interviewed staff at the Georgia State Financing and Investment Commission (GSFIC), reviewed policies applicable to recipients of bond proceeds, and obtained reimbursement reports and documentation of expenditures paid from bond proceeds. GSFIC is responsible for distributing bond proceeds to agencies and monitoring agency expenditure of these funds to ensure compliance with state law and federal tax regulations. GSFIC distributes funds by reimbursing agencies for eligible expenditures. Due to GSFIC's role in establishing policies governing recipients of bond proceeds and oversight responsibility to ensure the proper application of bond proceeds, we did not independently assess SOS's compliance in this area.

To determine the extent to which SOS obtained matching funds from subgrants awarded to counties, we analyzed expenditure data from *TeamWorks*, county subgrant applications, and supporting documentation containing SOS's calculation of subgrants. We also interviewed agency officials from the Administrative and Elections Divisions.

To understand the design and operating effectiveness of SOS's internal controls for collecting and managing grant funds, we reviewed SOS's organizational chart, interviewed staff within the Administrative Division regarding the process for collecting grant funds, and compared grant award documents, grant disbursement records, and agency bank and Georgia Fund 1 account statements to verify revenue received from HAVA grant payments and interest earned on these funds.

**To obtain information on how SOS spent HAVA grant funds**, we reviewed federal financial reports of SOS's grant activities and analyzed expenditure data from *TeamWorks* for SOS's HAVA grant accounts. We examined agency documentation for subgrants issued from HAVA funds, including subgrant eligibility requirements, applications received from counties, and supporting documentation counties submitted for eligible expenditures. We also interviewed agency officials from the Administrative and Elections Divisions regarding SOS's process for administering subgrants, including advertising the availability of subgrants, reviewing applications, and issuing funds to awardees.

To understand the design and operating effectiveness of SOS's internal controls for procurement, we reviewed SOS's organizational chart and interviewed staff within the Administrative Division about its procurement activities and process for utilizing and prioritizing grant funds.

**To determine how much of the revenue derived from HAVA grants remains**, we analyzed SOS's fund balance and other state year-end reports, federal financial reports, and financial information from *TeamWorks* for SOS's HAVA grant accounts. We interviewed agency officials from the Administrative Division, including the chief operating officer/chief financial officer and accounting manager and reviewed agency correspondence and other documents. We also interviewed staff from the State Accounting Office (SAO) and the federal EAC.

**To determine whether SOS spent HAVA-related grant funds in accordance with state procurement requirements,** we examined a stratified random sample of 196 transactions for compliance with applicable state procurement requirements. We defined the population of interest for the sample as unique purchase orders and accounts payable transactions for HAVA fiscal year 2009 Title II, 2018 HAVA Election Security, 2020 CARES Act supplement, and 2020 HAVA Election Security fund sources for fiscal years 2018 through 2021. One additional transaction was added to the population for fund source HAVA fiscal year 2008. Included accounts payable transactions were only those not connected to a purchase order. We removed county grants from these transactions because they were to be examined separately. Since the proportion of compliant transactions was the primary concern, we estimated the sample size using a formula that yields a representative sample for estimating a population proportion. The proportion of compliant transactions observed in the sample can be projected to the population. To enhance the representation of the sample and reduce the possibility of over-representing any one fund source and transaction size by chance, we stratified the population on fund source and three transaction sizes. We then allocated sample to strata in proportion to stratum size in the population. We randomly selected records within each population stratum in amounts equal to their allocated sample size, except for two records. These two records were the fund source HAVA fiscal year 2008 transaction added to the population and a transaction linked to two fund sources. These two transactions were effectively strata of size one in the population, and they were non-randomly selected because of stratification.

We also reviewed the state Purchasing Act (Title X, Article 3) and other applicable sections of state law, the Georgia Procurement Manual, Statewide Purchasing Card Policy, SAO statewide accounting policies, and information from the Georgia Procurement Registry. We reviewed agency documentation associated with the transactions, including purchase orders, vouchers, contracts, employment records, and correspondence. We interviewed staff in SOS's Administrative Division, including the procurement manager, chief operating officer/chief financial officer, accounting manager, and human resource manager. We also interviewed staff from DOAS's State Purchasing Division (SPD) and reviewed procurement activity and monitoring reports for SOS. Finally, we consulted with SPD staff regarding our assessment of SOS's compliance with state procurement requirements. This included a review of financial and procurement information from *TeamWorks* and documentation obtained from SOS for the transactions in our sample.

**To determine whether SOS spent HAVA-related grant funds in accordance with federal grant requirements,** we examined a stratified random sample of 196 transactions for compliance with allowed uses applicable to each grant and requirements for recipients of HAVA payments. We reviewed the Help America Vote Act, award documents and correspondence, federal regulations, federal Office of Management and Budget guidance, and EAC guidance specifying allowable uses, reporting, and other federal requirements applicable to HAVA funds. We also reviewed Georgia's state plan for HAVA funds and reports of grant activities. We analyzed financial documentation from *TeamWorks* and reviewed agency documentation associated with the transactions, including purchase orders, vouchers, contracts, and correspondence. We interviewed staff with the federal EAC and SOS staff from the Administrative Division, including the chief operating officer/chief financial officer, procurement manager, and accounting manager. We analyzed financial data from *TeamWorks* to determine the extent to which SOS used HAVA funds to award subgrants to counties. We also reviewed notices SOS distributed about the availability of subgrants and supporting documentation from

applicants to verify whether funds were used for eligible expenditures.

To assess compliance with federal requirements for personal property, we also reviewed state law and SAO's statewide accounting policies and procedures for personal property. We interviewed staff in the Administrative Division and Center for Election Systems. We also examined data and reports from SOS's cloud-based asset management system regarding the number, type, and location of components that make up the statewide voting system purchased for the 2020 election.

To understand the design and operating effectiveness of SOS's internal controls for personal property, we reviewed SOS's organizational chart and interviewed chief operating officer/chief financial officer staff within the Administrative Division, Elections Division, and the Center for Election Systems about the process for receiving, distributing, and tracking equipment for the new statewide voting system.

We conducted this special examination 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 our audit objectives.

## Appendix C: Top Expenditures and Vendors by Category

### Exhibit C-1

#### Top HAVA Expenditures by Major Spending Category, Fiscal Years 2018-2021

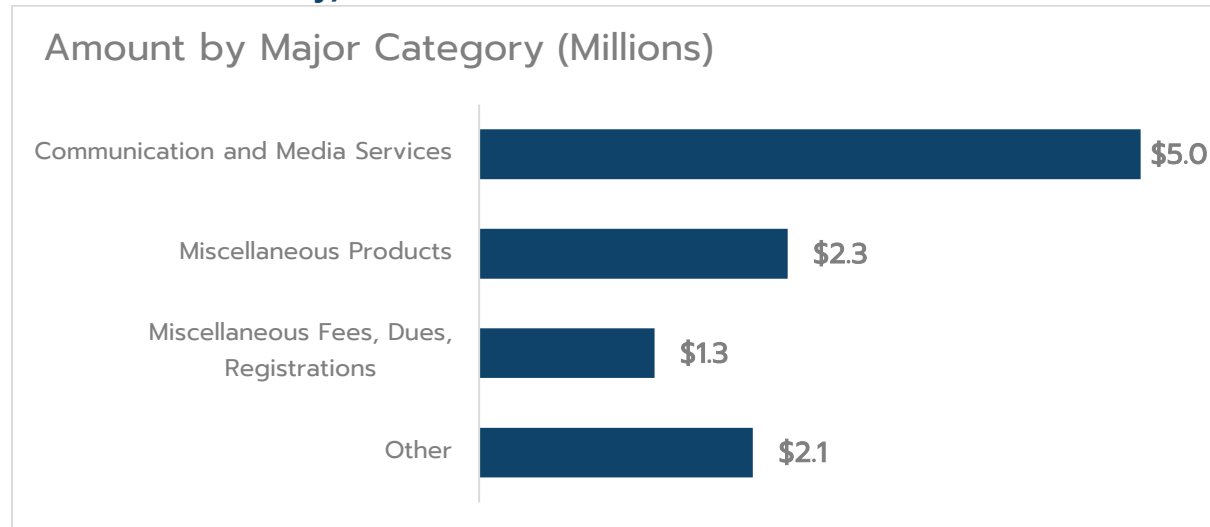
Category and Expenditure	Amount
<b>Communications and Media Related Services</b>	<b>\$10,147,955</b>
Advertising, Public Relations	\$4,963,794
Media Buy-Broadcasting, Cable	\$3,698,458
Independent Contractors	\$1,004,754
Radio Flight Dates	\$338,209
<b>Miscellaneous Fees, Dues, Permits, Registrations, Rebates, Postage, Taxes</b>	<b>\$5,922,178</b>
Presorted First Class Postage	\$2,720,856
Enterprise Payment System	\$945,000
Absentee Ballot Postage	\$650,000
<b>Miscellaneous Products (Not Otherwise Classified)</b>	<b>\$5,127,690</b>
Presidential General 11-3-20	\$1,081,500
Ballot Insertion and Mailing	\$921,485
Senate Runoff 1-5-2021	\$588,336
Ballot Printing - 18" & 19"	\$553,523
<b>Envelopes, Plain</b>	<b>\$2,492,761</b>
Envelope Packets, USPS	\$2,492,761
<b>Grants to Counties</b>	<b>\$1,367,061</b>
Thomas County	\$24,173
Gwinnett County	\$21,000
Cobb County	\$21,000
Richmond County	\$21,000
<b>Printing and Typesetting Services</b>	<b>\$1,291,326</b>
Ballot Printing, Ballot Insert	\$775,865
Printing of Election Material	\$299,510
Election Printing	\$117,801
<b>Computer Software for Mainframes and Servers, Preprogrammed</b>	<b>\$860,640</b>
Data Preparation	\$300,000
eNet Systems - Elections	\$149,680
Phase One Pilot Activities	\$89,059
eNet Multi-Factor Authentication	\$86,000
<b>Consulting Services</b>	<b>\$478,523</b>
Protecting, Securing	\$306,001
FY21 CISO Consulting Services	\$124,875
<b>Other</b>	<b>\$2,663,684</b>
Reusable Antibacterial Face Masks	\$288,750
On-Site Services - Non-Election	\$246,000
Temps Center for Elections	\$207,558
Oracle Database Enterprise Edition	\$174,830
<b>TOTAL</b>	<b>\$30,351,818</b>

Source: TeamWorks Financials

**Exhibit C-2****Top HAVA Vendors by Major Spending Category, Fiscal Years 2018-2021**

<b>Category and Vendor</b>	<b>Amount</b>
<b>Communications and Media Related Services</b>	<b>\$10,147,955</b>
Jamestown Associates LLC	\$9,030,326
Jones, Walter C Sr	\$191,927
Danskin, Patricia F	\$112,107
Thompson, Julianne	\$105,000
<b>Miscellaneous Fees, Dues, Permits, Registrations, Rebates, Postage, Taxes</b>	<b>\$5,922,178</b>
R R Donnelley & Sons	\$3,310,018
United States Postal Service	\$1,522,715
Unspecified Vendor (Postage Permit Expense)	\$830,000
<b>Miscellaneous Products (Not Otherwise Classified)</b>	<b>\$5,127,690</b>
Dominion Voting Systems	\$5,093,565
<b>Envelopes, Plain</b>	<b>\$2,492,761</b>
Dominion Voting Systems	\$2,492,761
<b>Grants to Counties</b>	<b>\$1,367,061</b>
142 County Grants	\$1,367,061
<b>Printing and Typesetting Services</b>	<b>\$1,291,326</b>
Dominion Voting Systems	\$775,865
R R Donnelley & Sons	\$299,510
Moore Partners Inc	\$205,976
<b>Computer Software for Mainframes and Servers, Preprogrammed</b>	<b>\$860,640</b>
Election Systems & Software	\$300,000
Environmental Systems Research Institute	\$245,095
Computer Aid Inc	\$192,756
<b>Consulting Services</b>	<b>\$478,523</b>
The Center for Election Innovation	\$306,001
Trustpoint Consulting LLC	\$124,875
<b>Other</b>	<b>\$2,663,684</b>
PCC Technology Inc	\$411,798
Focus of Georgia Inc	\$379,799
The Marena Group LLC	\$288,750
Mythics Inc	\$264,890
Dominion Voting Systems	\$246,000
Computer Aid Inc	\$195,963
Votingworks	\$144,377
Pretoria Fields LLC	\$123,750
<b>TOTAL</b>	<b>\$30,351,818</b>

Source: TeamWorks Financials

**Exhibit C-3****2018 Election Security, Fiscal Years 2018-2021**

Source: TeamWorks Financials

**Exhibit C-4****2018 Election Security Vendors by Major Spending Category, Fiscal Years 2018-2021**

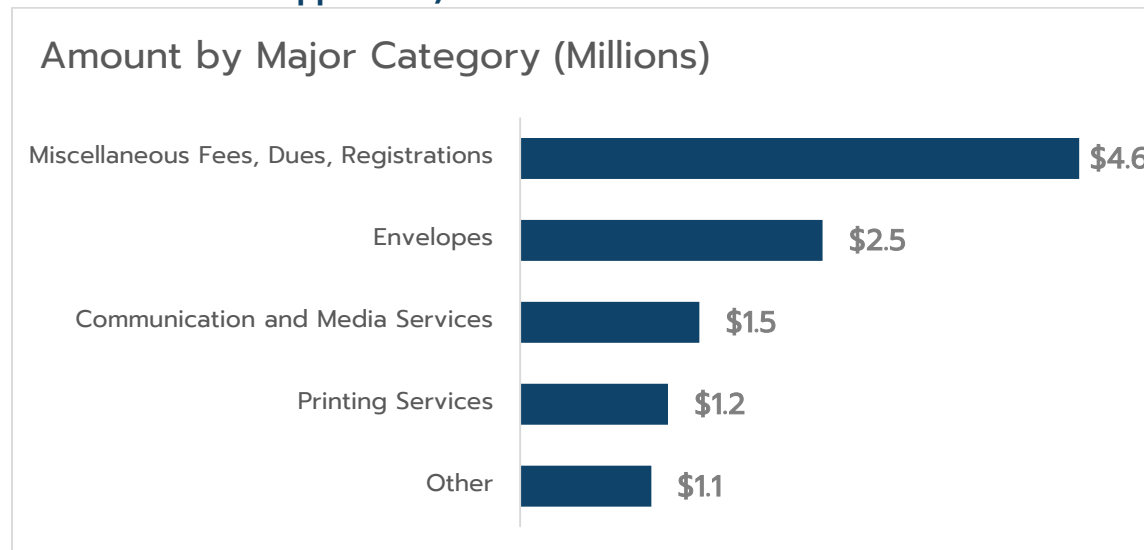
Category and Vendor	Amount
<b>Communications and Media Related Services</b>	<b>\$4,956,285</b>
Jamestown Associates LLC	\$3,841,685
Jones, Walter C Sr	\$191,927
Danskin, Patricia F	\$112,107
Thompson, Julianne	\$105,000
MW Project Inc	\$98,500
<b>Miscellaneous Products (Not Otherwise Classified)</b>	<b>\$2,311,045</b>
Dominion Voting Systems	\$2,276,920
Georgia Department of Law	\$34,125
<b>Miscellaneous Fees, Dues, Permits, Registrations, Rebates, Postage, Taxes</b>	<b>\$1,313,420</b>
United States Postal Service	\$275,000
Electronic Registration Information	\$77,549
Dominion Voting Systems	\$62,500
Single Pay	\$31,618
United Parcel Service	\$16,481
<b>Other</b>	<b>\$2,051,553</b>
Focus of Georgia Inc	\$379,799
The Center for Election Innovation	\$306,001
Dominion Voting Systems	\$246,000
Environmental Systems Research Institute	\$245,095
PCC Technology Inc	\$167,288
<b>TOTAL</b>	<b>\$10,632,303</b>

Source: TeamWorks Financials

**Exhibit C-5****2018 Election Security Top Expenditures by Spending Category, Fiscal Years 2018-2021**

<b>Category and Expenditure</b>	<b>Amount</b>
<b>Communications and Media Related Services</b>	<b>\$4,956,285</b>
Advertising, Public Relations	\$3,503,477
Independent Contractors	\$1,004,754
Radio Flight Dates	\$338,209
Poll Worker Training Videos	\$49,875
Georgia Public Broadcasting	\$40,350
Consultant Travel and Reimbursed Expenses	\$11,544
GoDaddy	\$7,154
Blahbox Inc	\$922
<b>Miscellaneous Products (Not Otherwise Classified)</b>	<b>\$2,311,045</b>
Ballot Insertion and Mailing	\$553,523
Ballot Printing - 18" & 19"	\$553,523
Statewide Primary Runoff 8-11-2020	\$470,324
Ballot Envelopes - Reply	\$226,080
Ballot Envelopes - Outgoing	\$128,000
Statewide Primary Election 6-9-2020	\$88,000
FY21 - Ballot Supplies - HAVA	\$85,357
Vote by Mail Project Management	\$80,850
USPS Mail Tracking	\$35,434
Procurement of New Voting Management	\$34,125
<b>Miscellaneous Fees, Dues, Permits, Registrations, Rebates, Postage, Taxes</b>	<b>\$1,313,420</b>
Postage Permit	\$830,000
Bulk Postage for Elections	\$150,000
Postage EPS Acct	\$115,000
Knowick Poll Book Annual License	\$62,500
Membership Dues FY 2020	\$39,365
Membership 7.1-6.30.21	\$38,184
One Time Membership C Harvey	\$25,000
PS3582 C To Add Postage	\$10,000
Statewide Live-Call Post-Election	\$10,000
Shipper 385926	\$7,252
<b>Other</b>	<b>\$2,051,553</b>
Protecting, Securing	\$306,001
ON-Site Services - Non-Election	\$246,000
Temps Center for Elections	\$207,558
Center for Elections	\$172,241
FY21 CISO Consulting Services	\$124,875
Phase One Pilot Activities	\$89,059
ArcGIS Hub Premium Unlimited	\$80,000
PCC Technology Expense Distribution	\$78,986
Phase Two Activities	\$61,436
Oracle Database Enterprise Edition	\$60,389
<b>TOTAL</b>	<b>\$10,632,303</b>

Source: TeamWorks Financials

**Exhibit C-6****2020 CARES Act Supplement, Fiscal Years 2018-2021**

Source: TeamWorks Financials

**Exhibit C-7****2020 CARES Act Supplement****Vendors by Major Spending Category, Fiscal Years 2018-2021**

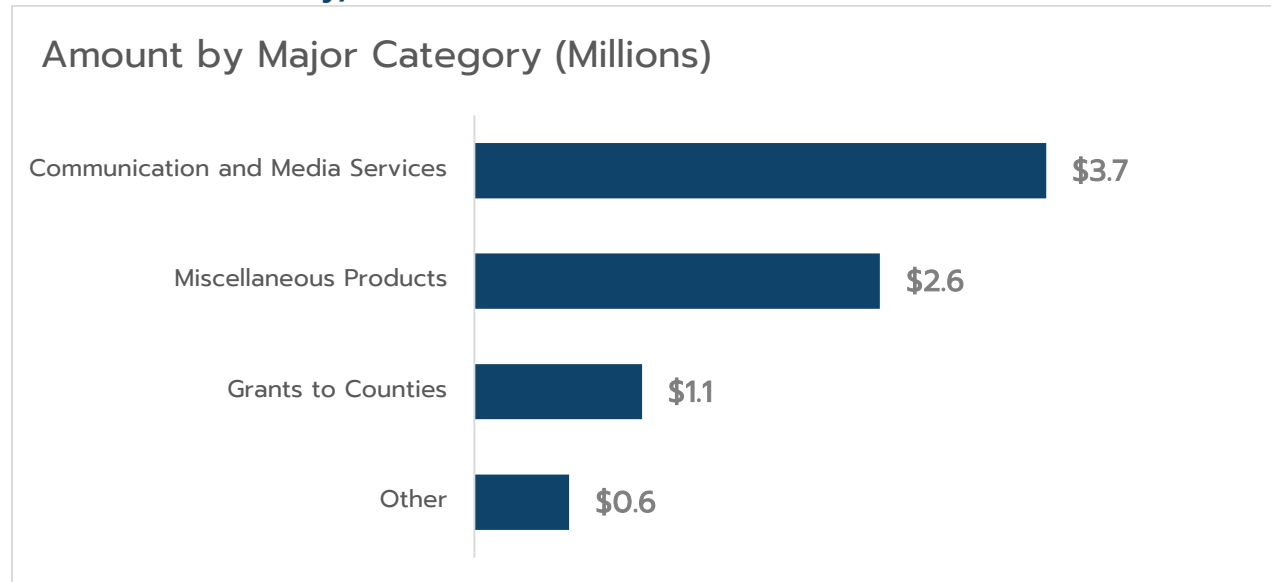
Category and Vendor	Amount
<b>Miscellaneous Fees, Dues, Permits, Registrations, Rebates, Postage, Taxes</b>	<b>\$4,608,758</b>
R R Donnelley & Sons	\$3,310,018
United States Postal Service	\$1,247,715
United Parcel Service	\$49,601
Moore Partners Inc	\$1,313
Uline Inc	\$68
<b>Envelopes, Plain</b>	<b>\$2,492,761</b>
Dominion Voting Systems	\$2,492,761
<b>Communications and Media Related Services</b>	<b>\$1,477,444</b>
Jamestown Associates LLC	\$1,477,444
<b>Printing and Typesetting Services</b>	<b>\$1,219,802</b>
Dominion Voting Systems	\$775,865
R R Donnelley & Sons	\$299,510
Moore Partners Inc	\$144,427
<b>Other</b>	<b>\$1,081,700</b>
The Marena Group LLC	\$288,750
Dominion Voting Systems	\$182,395
PCC Technology Inc	\$125,342
Pretoria Fields LLC	\$123,750
Green Dream International LLC	\$37,620
<b>TOTAL</b>	<b>\$10,880,465</b>

Source: TeamWorks Financials

**Exhibit C-8****2020 CARES Act Supplement****Top Expenditures by Major Spending Category, Fiscal Years 2018-2021**

<b>Category and Expenditure</b>	<b>Amount</b>
<b>Miscellaneous Fees, Dues, Permits, Registrations, Rebates, Postage, Taxes</b>	<b>\$4,608,758</b>
R R Donnelley & Sons Expense Distribution	\$2,679,421
Reclass HAVA to CARES	\$1,078,672
Postage Ret Ballot	\$260,715
United States Postal Service Expense Distribution	\$133,000
Absentee Mailing	\$130,000
Ballot Postage	\$74,000
GA Elections Promotional Mailing	\$55,630
Postage Absentee Ballots	\$50,000
Presorted First Class Postage	\$43,176
Absentee Ballot	\$31,200
<b>Envelopes, Plain</b>	<b>\$2,492,761</b>
Envelope Packets, USPS	\$2,492,761
<b>Communications and Media Related Services</b>	<b>\$1,477,444</b>
Jamestown Associates LLC Expense Distribution	\$1,446,631
Reclass HAVA to CARES	\$13,687
Production Absentee Ballot	\$9,911
"Voter Ed Covid" TV Spot Inc	\$7,216
<b>Printing and Typesetting Services</b>	<b>\$1,219,802</b>
Printing of Election Material	\$299,510
Election Printing	\$117,801
Reclass from ADM to CORP	\$17,490
Absentee Forms Kits	\$9,136
<b>Other</b>	<b>\$1,081,700</b>
Reusable Antibacterial Face Masks	\$288,750
FY21 - Ballot Supplies - CARES	\$182,395
Hand Sanitizer	\$123,750
Absentee Online Ballot to GA	\$103,815
Disposable Nitrile Gloves	\$37,620
Reclass Bond to CARES	\$22,229
FY21 - PCC Maintenance Support	\$21,527
Phone/Cell Phone Matching Absentee	\$11,360
Thomas County Grants	\$9,173
Chattahoochee County Grants	\$8,352
<b>TOTAL</b>	<b>\$10,880,465</b>

Source: TeamWorks Financials

**Exhibit C-9****2020 Election Security, Fiscal Years 2018-2021**

Source: TeamWorks Financials

**Exhibit C-10****2020 Election Security****Top Vendors by Major Spending Category, Fiscal Years 2018-2021**

Category and Vendor	Amount
<b>Communications and Media Related Services</b>	<b>\$3,714,226</b>
Jamestown Associates LLC	\$3,711,196
Sterling, Robert G	\$3,030
<b>Miscellaneous Products (Not Otherwise Classified)</b>	<b>\$2,634,249</b>
Dominion Voting Systems	\$2,634,249
<b>Grants to Counties</b>	<b>\$1,089,474</b>
Barrow County	\$18,493
Clarke County	\$18,000
Jasper County	\$16,558
Banks County	\$15,147
Baldwin County	\$15,000
<b>Other</b>	<b>\$616,400</b>
Computer Aid Inc	\$388,719
PCC Technology Inc	\$119,168
Fortalice Solutions	\$61,600
ALS Van Lines Services Inc	\$28,144
Cogent Communications Inc	\$8,498
<b>TOTAL</b>	<b>\$8,054,349</b>

Source: TeamWorks Financials

**Exhibit C-11****2020 Election Security****Top Expenditures by Major Spending Category, Fiscal Years 2018-2021**

<b>Category and Expenditure</b>	<b>Amount</b>
<b>Communications and Media Related Services</b>	<b>\$3,714,226</b>
Media Buy-Broadcasting, Cable	\$3,698,458
Production of "Voter Fraud"	\$12,738
GoDaddy	\$3,030
<b>Miscellaneous Products (Not Otherwise Classified)</b>	<b>\$2,634,249</b>
Presidential General 11-3-20	\$1,081,500
Senate Runoff 1-5-2021	\$588,336
Ballot Insertion and Mailing	\$367,962
Partners in Performance Add-on	\$365,441
Congressional District 5 Special	\$122,240
Emergency Inserts	\$41,800
Ballot Envelopes - Reply	\$30,080
Support Service Costs	\$20,075
USPS Mail Tracking	\$12,265
Mail Ballot Setup per Election	\$4,550
<b>Grants to Counties</b>	<b>\$1,089,474</b>
23 County Grants, each \$15,000	\$345,000
Barrow County Grant	\$18,493
Clarke County Grant	\$18,000
Jasper County Grant	\$16,558
Banks County Grant	\$15,147
Ben Hill County Grant	\$14,991
Randolph County Grant	\$14,974
Screven County Grant	\$14,728
Decatur County Grant	\$14,682
Baker County Grant	\$14,476
<b>Other</b>	<b>\$616,400</b>
IT Staffing - CAI Additional	\$160,000
eNet Systems - Elections	\$149,680
FY21 - Development Hours	\$98,000
FY21- Cyber Forensics Analysis	\$61,600
FY21 - eNet System Move	\$43,076
Elections Process Assessment	\$35,963
Move and Store Voting Equipment	\$27,359
Sunset Internet Explorer	\$21,168
Cross Connect fees	\$7,751
Fiber Cross Connect Services	\$5,884
<b>TOTAL</b>	<b>\$8,054,349</b>

Source: TeamWorks Financials

## Appendix D: Letter Issued After State Inspector General Investigation



### OFFICE OF THE STATE INSPECTOR GENERAL

**BRIAN P. KEMP**  
Governor

**DEBORAH WALLACE**  
State Inspector General

March 24, 2020

The Honorable Brad Raffensberger  
The Office of the Secretary of State  
214 State Capitol  
Atlanta, GA 30334

Ms. April King, CFO  
Georgia State Financing and Investment Commission  
270 Washington Street  
Atlanta, GA 30334

**RE: OIG File No. 20-0027-I**

Dear Secretary Raffensberger and Ms. King:

On January 31, 2020, the Office of the State Inspector General (OIG) opened an administrative investigation into former Secretary of State (SOS) Chief Operating Officer (CFO) Gabriel Sterling and his business, Sterling Innovative Solutions, LLC (SIS). The investigation was opened after the Georgia State Finance and Investment Commission (GSFIC) notified OIG that GSFIC received requests for general obligation bond reimbursements with signed approval from Sterling, in his capacity as COO of SOS, for work performed by Sterling's company, SIS. However, bond fund regulations restrict the use of funds to pay the salary of a state employee. OIG's investigation aimed to determine if SOS doing business with SIS while Sterling was employed constituted a conflict of interest in violation of the Governor's Executive Order Establishing a Code of Ethics for Executive Branch Officers and Employees ("Ethics Order") or state law.

In reviewing this matter, OIG conducted interviews and reviewed bond documents, contracts between SIS and SOS, and existing laws, policies and procedures. Specifically, OIG focused on the Ethics Order, laws relating to conflicts of interest, and regulations relating to the administration of bond funds. The Ethics Order, in pertinent part, provides that:

(a) An employee of the Executive Branch of the State shall make every effort to avoid even the appearance of a conflict of interest. An appearance of conflict exists when a reasonable person would conclude from the circumstance that the

Page 2 of 3  
March 23, 2020  
Closing Ltr 20-0027-I

employee's ability to protect the public interest, or perform public duties, is compromised by personal interests. An appearance of a conflict could exist even in the absence of a true conflict of interest.

(c) An employee shall not be employed outside of his or her state employment or serve as a corporate officer or director of any organization if such employment or service conflicts with his or her duties as an employee of the state.

Furthermore, pursuant to O.C.G.A. § 45-10-23, it is unlawful for “any full-time employee, for himself or on behalf of any business, or for any business in which such employee or member of his family has a substantial interest to transact any business with the agency by which such employee is employed.” Thus, at all times Sterling was an employee of the State, he was subject to the Ethics Order and required to act in accordance with the Ethics Order. Additionally, when Sterling was a full-time employee of the State, he was prohibited by O.C.G.A. § 45-10-23 from transacting personal business with SOS.

In July 2019, SOS began the implementation process of a new statewide voting system (“SVS”) to be paid for with bond funds. Early on, SOS realized that it would need a project manager for the SVS project to help with budgeting and logistics. Sterling, who was most familiar with the project, was tasked with finding a project manager and to serve as a project manager in the interim. Sterling contacted multiple project management firms for quotes. Through Sterling’s research, it was determined, generally speaking, that (1) project management firms did not want short term work like this project; (2) project management firms did not want to take on this project due to possible “legal and reputational risk”; and, (3) hiring a reputable project management firm would be cost prohibitive to balance the perceived risk. Because a suitable project management firm could not be found, Sterling continued to manage the project in addition to performing his duties as COO for SOS.

In Fall 2019, it became apparent to SOS leadership that Sterling could no longer continue to perform the duties of COO and the duties of the SVS project manager. SOS leadership determined that Sterling would be placed on leave from his COO position at SOS. While Sterling was on leave, his business, SIS, a business in place prior to Sterling’s employment at SOS, would serve as the project management firm for the SVS project. On November 1, 2019, Sterling was placed on administrative leave. On January 15, 2020, Sterling returned from leave to handle budget hearings and on February 15, 2020, Sterling resigned from SOS. During the period between January 15, 2020 and February 15, 2020, SIS completed no work on the SVS project nor were any funds paid to SIS. SIS is currently and continues to serve as the project management firm for the SVS project.

Although Sterling was on administrative leave during the period of time when SIS performed services and received payment for services performed for the SVS project, Sterling’s work as project manager created the appearance of a conflict of interest. Because Sterling continued his employment, albeit on leave, while performing services as a private independent contractor, a reasonable person would conclude from the circumstances that his ability to protect the public interest, or perform public duties, was compromised by his personal interests. Additionally, Sterling’s role in contacting potential project management firms and in determining that no suitable project management firm could be found in time gave rise to the appearance of a conflict of interest considering that Sterling’s business eventually contracted

Page 3 of 3  
March 23, 2020  
Closing Ltr 20-0027-I

with SOS to serve as the project management firm for an amount that exceeded Sterling's salary as COO. Therefore, OIG substantiated a violation of the Ethics Order, but ultimately found no fraudulent practices by Sterling or SIS.

To remediate any actual or perceived conflicts of interest, Sterling has resigned from SOS and SOS has appointed Deputy Secretary of State Jordan Fuchs as the authorized individual to approve invoices that SOS submits to GSFIC for the implementation of the SVS. Also, it is our understanding, that to further distance Sterling from SOS, Sterling is no longer using an SOS email account. It is reasonable, though, that Sterling may have some continued contact with GSFIC as SIS is the project management firm for a bond funded project.

OIG recommends that SOS educate and inform all employees of the requirements of the Ethics Order and that the Ethics Order is taken into consideration when SOS enters any contractual relationship. OIG also recommends that SOS reach out to the Department of Administrative Services when complex procurement issues involving independent contractors arise. Further, OIG recommends that SOS review its practice of hiring independent contractors to avoid liability and conform with statewide policies and procedures. We understand and are sympathetic to the short time period within which SOS must implement the voting systems; however, we remind SOS that state policies and procedures must always be followed regardless of time constraints. We thank SOS for their attention to this matter, their swift implementation of remedial measures, and their cooperation with the investigation. Additionally, we thank GSFIC for their vigilance in administering bond funds and for reporting this matter to OIG. Based upon the administrative results of this investigation, OIG considers this matter closed.

Sincerely,



Deborah Wallace, CIG, CFE  
Inspector General

DW:blw

cc: Ryan Germany, General Counsel, SOS  
Gerald Pilgrim, Chief of Staff, GSFIC  
Lisa Javorka, Senior Assistant Attorney General, Georgia Office of the Attorney General

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