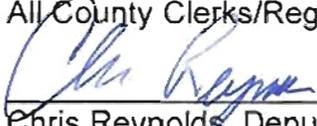




November 5, 2010

County Clerk/Registrar of Voters (CC/ROV) Memorandum #10309

TO: All County Clerks/Registrars of Voters

FROM: 
Chris Reynolds, Deputy Secretary of State, HAVA Activities

RE: Administrative: Inventory controls for equipment purchased with HAVA funds

On June 4, 2009, counties were informed about federal audit findings related to inventory controls for voting equipment purchased with Help America Vote Act (HAVA) Section 251 funds (through the county/state 301 contract) and voting equipment purchased with HAVA Section 102 funds (punch card voting equipment replacement funding).

This is a reminder, re-emphasized by the findings of the audit, that your contracts with the state for HAVA funding (even for contracts that have expired) require you to comply with federal rules associated with receiving funds, including property management rules¹. This applies to all equipment purchased with Section 102 (punch card equipment replacement) and Section 251 funding (used to support 301 and VoteCal contracts).

Attached is the policy developed by the Secretary of State's office and accepted by the EAC that addresses this requirement.

Per the Common Rule and EAC Guidance, counties should have in place an inventory tracking/control system that includes specific information about the following items purchased with HAVA funds:

- Items valued at more than \$5,000 per unit;
- Individual voting units, regardless of cost;
- Vote tabulating equipment;
- Items deemed to be "sensitive" equipment, such as personal computers, servers, and cell phones. Items that are part of the voting system (such as voter access cards and removable storage media) that are deemed to be "sensitive" due to security concerns need not be placed in inventory,

¹ Those property management rules may be found in the Office of Management and Budget (OMB) circular A-102 (also called the Common Rule). The Elections Assistance Commission (EAC) has directed that HAVA grantees use the GSA version of the Common Rule. 41 CFR Section 10571.132(d) relates to property management.

but should be secured in accordance with the security requirements in place for the voting system.

The information to be included in the tracking/control system for these items includes:

- Description of property;
- Serial number or other identification number that is unique for each item;
- Source of property;
- Titleholder of property (may be county or other entity);
- Date of acquisition;
- Property cost;
- Percentage of federal participation in the cost of the property;
- Location of property;
- Use and condition of property; and
- Disposition data and sale price of the property (for disposed or sold property, when applicable).

The county should be able to use its inventory control system to:

- Identify a specific piece of equipment (chosen at random from the inventory list);
- Access the information listed above about that piece of equipment;
- Use the serial number or identification number, which is unique to an individual voting unit or other piece of equipment, to locate that equipment in the county's offices, warehouses, or other storage facility;
- Match the serial number or identification number to the item so located.

This process should also work in reverse. The county should be able to use the serial number or identification number on an individual piece of equipment or voting unit and be able to match that number to its inventory control system list.

Your county's contract(s) with the state for HAVA funds requires each county to comply with federal rules associated with receiving those funds, including these property management rules. We would like to request that you review your county's property management practices and tools to ensure your inventory control system meets the requirements outlined here and to rectify deficiencies in that system, if any exist, as soon as practicable.

Please do not hesitate to contact me if you have any questions about this issue at (916) 653-0296 or chris.reynolds@sos.ca.gov. Thank you.



Guidelines for Inventory control measures for property management and accounting for voting equipment purchased with Help America Vote Act of 2002 (HAVA) funds

Purpose: These guidelines are intended to address the provisions of the Common Rule, Office of Management and Budget (OMB) circular 102, which serves as a general guide for managing and accounting for tangible property purchased with federal funds. All California counties that have purchased tangible property with federal HAVA funds must comply with these guidelines in light of the Notice of Finding and Recommendation (NFR) issued by the U.S. Election Assistance Commission (EAC), Office of the Inspector General (NFR #3, 2009). The EAC is the federal oversight authority for HAVA. Following the issuance of the NFR, the California Secretary of State requested and received approval from the EAC Grants Director to issue this guidance to California's 58 counties.

The general purpose of OMB circular 102, the Common Rule, and these guidelines is to ensure that property, including equipment considered sensitive equipment, purchased by California counties using federal HAVA funds is accounted for and managed properly. As such, counties are subject to visits from federal and state personnel to ensure they are complying with these guidelines.

Equipment subject to inventory controls defined: OMB circular 102, as further defined through regulations promulgated by federal agencies, identifies a \$5,000 threshold value for equipment subject to property management and accounting inventory controls. The California State Administrative Manual (SAM) Section 8602 also establishes a \$5,000 threshold recording the property in accounting records as assets.

In addition, NFR #3 recommends that the Secretary of State consult with the EAC to define "sensitive equipment" that should be subject to property management and audit inventory controls even if it does not meet the \$5,000 threshold. Peripheral equipment will not be included, however (see below). Sensitive equipment is generally understood to be information technology or telecommunications equipment or other devices that may be subject to theft or misuse. However, other property, which contains sensitive information, may also be included. California SAM Chapter 5300 addresses the need for appropriate security measures and controls to protect the confidentiality, integrity and availability of information and information systems. Voting equipment that captures election results, including voting units, precinct or central tabulators,

voter-verified paper audit trail printers, and election management equipment (used for the purpose of conducting an election) such as servers, are, therefore, subject to these guidelines. Portable memory devices (such as memory cards and voter activation cards) used in voting systems, also must be closely monitored, tracked and subject to personnel access controls and other controls required by voting system security procedures to ensure the integrity of the election results should be protected at the highest level. Therefore, portable memory devices qualify as "sensitive equipment" and are also subject to these guidelines. Portable memory devices should each be tagged (or permanently affixed) with a unique identifying serial number, which corresponds with a separately maintained inventory list or database that is appropriately controlled to prevent unauthorized edits or alterations, additions and deletions. The inventory of portable memory devices, however, is exempt from the requirement to include information on the cost of the equipment and the percentage of federal participation in that cost, although that information applies to other equipment.

Peripheral equipment, including keyboards, batteries, electrical outlets providing power for voting equipment, devices intended to provide accessibility for voters with disabilities (such as audio headphones, jelly switches, foot pedals, etc.), are considered supplies and not sensitive equipment. Therefore, they are not subject to the same type of inventory controls as voting units, precinct or central tabulators, and election management equipment.

Inventory controls for property management, accounting and auditing purposes defined: The following are the basic requirements for any inventory control system employed by California counties to comply with the provisions of OMB circular 102 as it applies to the HAVA program. The inventory control system (a physical list or electronic database) should enable California county elections officials to locate voting equipment in storage or use, and to provide the basic required information as provided below for a specific piece of equipment subject to these guidelines. Likewise, the equipment should be tagged in such a manner that the basic required information for a specific piece of equipment subject to these guidelines is readily available by matching the serial number on the tagged equipment to the inventory control system (a physical list or electronic database). In this manner, elections officials should be able to use the inventory control system to locate specific equipment subject to these guidelines in storage or use, and vice versa to use equipment tags to find the basic required information for specific equipment subject to these guidelines in its inventory control system.

The following is the basic, required descriptive information that must be kept in the inventory control system (a physical list or electronic database) for equipment subject to these guidelines:

- Date acquired
- Description of the property
- Serial number or other property identification number

- Source of the property
- Titleholder of the property
- Cost or other basis of valuation (not applicable to portable memory devices)
- Percentage of federal participation in the cost of the property (i.e., percentage of HAVA funds used to acquire the property) (not applicable to portable memory devices)
- The location of the property, including the specific location within the warehouse or storage facility
- Use and condition of the property
- Ultimate disposition data, including the date of disposal or sale, and the sale price of the property when applicable

The inventory control policy and process employed by each county must include:

- Physical inventory of the property at least every two years, with a reconciliation of results with property records in the inventory control system
- Adequate safeguards to control access to equipment to prevent loss, damage, theft or unauthorized or inappropriate use of equipment
- A requirement to investigate any loss, damage, theft or unauthorized or inappropriate use of equipment
- Adequate maintenance procedures to keep property in good condition
- If applicable, proper sales and disposal procedures to ensure the highest possible return of proceeds upon sale of equipment; all proceeds earned from the sale of equipment should be retained by the county and deposited in a segregated, interest-bearing account, and may only be used for HAVA purposes. The receipt of proceeds, deposit in a segregated, interest-bearing account and liquidation of funds shall all be documented at the county level and with the Secretary of State, which shall be notified of all transactions
- Other adequate fiscal controls to ensure proper auditable accounting for sales proceeds and proper use of sales proceeds; sales proceeds may only be used for HAVA Title III voting equipment purposes

The source for these requirements can be found at 41 CFR Section 105 – 71.132(d)(2) and California SAM Section 8650 as of the writing of these guidelines.

Any questions about these guidelines should be directed to the Deputy Secretary of State for HAVA Activities, Chris Reynolds, at (916) 651-7837 or chris.reynolds@sos.ca.gov.