



U.S. ELECTION ASSISTANCE COMMISSION
1225 NEW YORK AVENUE, N.W., SUITE 1100
WASHINGTON, D.C. 20005

August 7, 2008

Ms. Marci Andino
Executive Director
State Election Commission
P.O. Box 5987
Columbia, South Carolina 29250-5987

Dear Ms. Andino:

Enclosed is the management decision of the U.S. Election Assistance Commission regarding the findings pertaining to the administration of Help America Vote Act funds contained in the Single Audit of the State of South Carolina for the year ended June 30, 2007 (Report No. E-HP-SC-44-08).

Please provide a response to the management decision by September 8, 2008. If you, or members of your staff, have any questions about this matter, please contact Mr. Edgardo Cortés, Acting Director, Division of HAVA Payments and Grants, at (202) 566-3126.

Sincerely,

A handwritten signature in black ink, appearing to read "T. Wilkey", written over the word "Sincerely,".

Thomas R. Wilkey
Executive Director

Enclosure

cc: Inspector General



EAC MANAGEMENT DECISION:

Resolution of Single Audit Report for the Year Ending June 30, 2007,
Report No. E-SA-SC-44-08

SUMMARY OF DECISION

The South Carolina State Election Commission (Election Commission) must submit to the U.S. Election Commission (EAC):

1. Documentation to substantiate (a) the transfer of State matching funds and interest into the State Election Fund and (b) the interest calculation.
2. A description of the procedures it implemented to ensure that the obligations and expenditures Help America Vote Act (HAVA) funds, State matching funds, and interest contained in the financial reports submitted to EAC reconciles with the accounting system.

BACKGROUND

The EAC is an independent, bipartisan agency created by HAVA. It assists and guides state and local election officials in improving the administration of elections for Federal office. This includes distributing HAVA funds to States for the acquisition of voting systems, the establishment of a statewide voter registration list, and other activities to improve the administration of elections for Federal office. EAC also monitors State use of HAVA funds to ensure funds distributed are being used for authorized purposes. To help fulfill this responsibility, the EAC determines the necessary corrective actions to resolve issues identified during Single Audit Act and Office of Inspector General (OIG) audits of state administration of HAVA funds. The EAC OIG has established a regular audit program to review the use of HAVA funds by states. The OIG's audit plan and audit reports can be found at www.eac.gov.

The Audit Follow-up Policy approved by the Commission authorizes the EAC Executive Director to issue the management decision for audits of Federal funds to state and local governments, non-profit organizations, and for-profit organizations (external audits) and single audits conducted by state auditors and independent public accountants. The Executive Director has delegated the evaluation of final audit reports provided by the OIG and single audit reports to the EAC Election Administration

Support Division (EASD). The EASD provides a recommended course of action to the Executive Director for resolving questioned costs, administrative deficiencies, and other issues identified during an audit. The EAC Executive Director issues the EAC Management Decision that addresses the findings of the audit and details corrective measures to be taken by the state.

When an audit identifies questioned costs, the EAC considers not only whether the state followed proper procedures, but also whether the expenditures actually served to further the goals of HAVA. Generally, the EAC has identified three methods of resolution regarding questioned costs: (1) expenditures that were identified as permissible under HAVA and Federal cost principles, but did not follow appropriate procedures do not have to be repaid; (2) expenditures that lacked adequate documentation to substantiate that the funds were used for HAVA purposes must be repaid to the state election fund, which was created in accordance with HAVA section 254(b)(1); and (3) expenditures that were clearly not permissible under HAVA or Federal cost principles must be repaid to the U.S. Treasury. In addition to repayment of funds, the EAC may require future reporting by a state to ensure that proper internal controls and procedures have been established to prevent future problems.

States may appeal the EAC management decision. The EAC Commissioners serve as the appeal authority. A state has 30 days to appeal the EAC management decision. All appeals must be made in writing to the Chair of the Commission. The Commission will render a decision on the appeal no later than 60 days following receipt of the appeal or, in the case where additional information is needed and requested, 60 days from the date that the information is received from the state. The appeal decision is final and binding.

AUDIT HISTORY

The South Carolina Office of the State Auditor issued a Single Audit Act audit of the State for the year ending June 30, 2007, that included HAVA funds provided to the Election Commission. The OIG transmitted the single audit to EAC on June 30, 2008 and highlighted three finding related to HAVA funds. The OIG Assignment Number used to track this audit is E-SA-SC-44-08.

AUDIT RESOLUTION

The audit findings and the EAC decisions for resolving the findings are as follows:

1. Finding No. 06E28-1: Schedule of Federal Financial Assistance (Repeat Finding)

The audit reported that financial information which the Election Commission prepared for the Schedule of Federal Financial Assistance (SFFA) for the Single Audit contained a \$6,688 error for both Section 101 and Section 251 funds. The audit recommended that Election Commission personnel follow state procedures for preparing the SFFA and trace amounts reported to the agency accounting records.

The Election Commission responded that the \$6,688 error resulted from the improper processing of an invoice and that the error has been corrected.

EAC Management Decision

The EAC agrees with the audit finding, recommendations, and corrective actions. This matter is closed and no further response to the EAC is required.

2. Finding No. 06E28-2: Matching Requirement (Repeat Finding)

The audit reported on the status of an unresolved finding on under matching that was contained in an EAC OIG audit (No. E-HP-SC-11-06) of the Election Commission. Specifically, that the Election Commission had yet to transfer State funds of \$114,794 (under match of \$85,319 plus lost interest of \$29,495) into the restricted-use Election Fund. The auditors recommended that the Election Commission follow the OIG's recommendation to transfer the funds into the State Election Fund.

The Election Commission responded that, subsequent to the Single Audit, the South Carolina Budget Office transferred the funds in question into the State Election Fund on January 8, 2008.

EAC Management Decision

The EAC agrees with the audit finding, recommendation, and reported corrective action. The Election Commission must submit to the EAC documentation to substantiate the fund transfer and the interest calculation.

3. Finding No. 06E28-3: Reporting (Repeat Finding)

The audit reported that the Election Commission (1) could not support amounts reported as interest on Section 101 and 102 funds for calendar years' 2003 and 2004 financial reports (SF 269s) submitted to EAC (2) did not submit an amended SF 269 for Section 251 funds for fiscal year 2004, (3) did not contact EAC for reporting instructions, and (4) did not modify its policies and procedures for reporting as previously recommended by the State auditors. The auditors recommended that the Election Commission (1) submit revised financial reports to EAC, (2) seek guidance

from EAC on proper reporting procedures, and (3) develop procedures to ensure the accurate reporting of information.

The Election Commission responded that it had contacted EAC on "numerous occasions to obtain clarification," had received a written response from EAC on March 26, 2007 directing "us to use actual monthly interest rates when calculating lost interest," and planned to submit amended reports after the State Treasurers Office provided appropriate interest rates.

EAC Management Decision

As a result of EAC's review of South Carolina's SF 269s for the 2007 reporting cycle, EAC determined that the SF 269s for Sections 101 and 102 funds were completed correctly and that the SF 269 for Section 251 funds needed to be revised. EAC advised South Carolina of the necessary revisions in a May 8, 2008 letter to the Executive Director of the Election Commission. South Carolina submitted an amended SF 269 in June 2008. Thus, the reporting issues to EAC are resolved.

The Election Commission's response to the single audit report did not, however, respond to the recommendation that the Election Commission establish procedures to ensure that reported financial information is accurate. Therefore, the Election Commission must submit to EAC a description of the procedures it implemented to ensure reported financial information (expenditures and obligations of HAVA and State funds and interest) reconciles with the agency accounting system.

STATE RIGHTS OF APPEAL

If the Election Commission believes that anything in this final management decision is an adverse action and the state does not agree, the state shall have 30 days to appeal EAC's management decision. The appeal must be made in writing to the Chairman of the EAC. Within 30 days of receiving the appeal, the EAC may hold a hearing to consider the appeal, take evidence or testimony related to the appeal, and render a decision on the appeal, if appropriate at that time. The EAC will render a final and binding decision on the appeal no later than 60 days following the receipt of the appeal or the receipt of any requested additional information. If the state does not file an appeal, this decision will become final and binding at the expiration of the appeal period.