

South Carolina Federal Audit

Background

The Agency responsible for implementing the Help America Vote Act in South Carolina is the State Election Commission (SEC). The SEC is an independent state agency with 18 employees.

Prior to HAVA, the SEC had never received grant money and had no experience administering federal grants or completing federal reporting requirements associated with grants. The SEC asked several other state agencies for assistance; however, no significant assistance was obtained. The SEC made the decision early on to make sure the State Plan was followed closely.

Single State Audit

A Single State Audit was conducted by the State Auditor's Office from December 2005 through February 2006. The State Auditor's Office requested the following information in order to prepare for the audit:

- Completion of a "Questionnaire on Internal Controls over Compliance Requirements for Federal Programs"
- Financial records and related data, all audit or relevant monitoring reports received from Funding sources
- Minutes of Commission meetings for Fiscal Year 2005

The audit took about two months to complete. The auditors, while knowledgeable about accounting and federal grants, were unfamiliar with HAVA and, as a result, required SEC staff to spend a considerable amount of time explaining that the HAVA Grant was unlike other federal grants. The following items were included in the auditor's findings:

- Matching requirement – state needed to repay federal funds with matching funds to include interest lost on federal funds
- Equipment purchases – SC purchased a statewide electronic voting system. The SEC owns approximately six voting machines. They were included on inventory maintained by IT dept, but not on agency inventory. This was overlooked and quickly corrected.

Federal Audit

The SEC received notification from federal auditors that an audit would be conducted around August 1st, 2006. The federal auditors requested the following information:

- Same information provided the state auditors, plus
- Findings from state auditors
- Reviews related to SEC's financial management systems and the HAVA program for the last 2 years

- Policies, procedures and regulations from SEC management and accounting as they related to HAVA
- Organizational chart with full and part time employees indicating employees whose salaries were financed with HAVA funds.
- Inventory list of all equipment purchased with HAVA funds.
- List of all grants or other agreements providing HAVA funds to counties
- Description of Commission's method of accounting for income, such as interest generated by HAVA funds
- Appropriations and expenditure reports for state funds used to maintain level of expenses for elections at least equal to the amount expended in fiscal year 2000 (Maintenance of effort)

The federal audit was completed in approximately two weeks. This was possible because SC had already undergone the Single State Audit and the federal auditors were knowledgeable about the HAVA grant. While in SC, the federal auditors also visited approximately five county election offices to determine if counties were in compliance with federal asset management guidelines.

Findings included in the federal audit were:

- Did not obtain approval to purchase bus
- Counties did not keep records that sufficiently accounted for equipment purchased with HAVA funds
- Miscalculated the matching funds required.
- Matching funds should have been deposited into an interest bearing account
- Maintenance of effort

Recommendations for other states:

- Don't panic
- Most important thing for us was to follow HAVA state plan
- Make sure your state match calculations are correct
- Make sure the interest is accounted for by Section/Title
- Make sure you can support your maintenance of effort with an actual dollar amount

Recommendations for EAC:

- States need more guidance/training, many of us had no experience with grants
- Need answers to questions in a timely manner

Summary

South Carolina went in to the federal audit process not knowing what to expect. Since this was the first time we had worked with a federal grant, and we received only a minimal amount of instruction; we did not expect to receive a perfect audit. From the time the federal funds were received, we strived to manage the HAVA funds in a responsible manner, following the SC State Plan, HAVA and the OMB circulars. The auditors were knowledgeable about the grant and we wish we could have talked to them at the beginning of the program.