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ELECTION ASSISTANCE COMMISSION

HAVA Funds Management

**Administration of Grant  
Funds Authorized by  
HAVA**



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# **Role of the Grants Office in the Administration of HAVA Funds**

- Issue Guidance
- Make Grant Awards
- Provide Oversight and Monitoring
- Provide Technical Assistance
- Resolve Audits



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## **TITLE I, SECTION 101 FUNDS Availability and Use**

- Money is available until expended
- Funds may be used for:
  - 1) Meeting HAVA Title III requirements:
    - ✓ Voting Systems Standards
    - ✓ Provisional Voting
    - ✓ Voter Information
    - ✓ State-wide Voter Registration Database
    - ✓ Voter Identification for First-time Voters



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## **TITLE I, SECTION 101 FUNDS Availability and Use**

- 2) Improving the administration of Federal elections
- 3) Educating voters on voting rights, voting procedures and voting technology
- 4) Training election officials and poll workers
- 5) Developing State plans
- 6) Improving, acquiring, leasing or replacing voting equipment



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## **TITLE I, SECTION 101 FUNDS Availability and Use**

- 7) Improving the accessibility and quality of polling places
  - ✓ Includes accessibility for voters with limited English proficiency
- 8) Hotlines for voters to obtain election information and/or report complaints of fraud or voting rights violations



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## **TITLE I, SECTION 102 FUNDS Availability and Use**

- Funds were made available only to replace punch card and lever voting machines
- Some States received waivers until November 2010 to use funds
- EAC is in the process of closing these awards
- EAC will distribute any returned funds to all States as Section 251 funds



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## **TITLE II, SECTION 251 FUNDS Availability and Use**

- Money is available until expended
- Funds must be used for:
  - Meeting HAVA Title III requirements:
    - ✓ Voting Systems Standards
    - ✓ Provisional Voting
    - ✓ Voter Information
    - ✓ State-wide Voter Registration Database
    - ✓ Voter Identification for First-time Voters



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## **TITLE II, SECTION 251 FUNDS Availability and Use**

### UNLESS:

1. A State certifies it is Title III compliant or
2. Expenditures on other activities do not exceed an amount equal to the minimum payment amount applicable to the State (typically one half of one percent)





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## **TITLE II, SECTION 251 FUNDS**

State Plan Development

Matching - States must appropriate and deposit into a State election fund matching funds of 5 percent of the total Federal and State money available for the program.

Maintenance of Expenditure - MOE is a means by which HAVA requires that recipients of Section 251 funds do not replace or supplant their prior level of spending on certain election related activities with the Federal funds.



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## **Fiscal Management**

- Grantees and subgrantees must manage funds in accordance with the standards in the Common Rule, Uniform Administrative Requirements for Grants and Cooperative Agreements with State and Local Governments (**Formerly OMB Circular A-102**)
- Until EAC publishes its version of the Common Rule in the Code of Federal Regulations (CFR), recipients should refer to 41 CFR 105-71
- **OMB Circular No. A-133:**  
Audits of States, Local Governments, and Non-Profit Organizations
- 2 CFR Part 225 Cost Principles for State, Local, and Indian Tribal Governments (**Formerly OMB Circular A-87**)



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## **Fiscal Management**

Key requirements in the Common Rule are that Grantees and Subgrantees:

- Account for grant funds separately
- Conduct procurements competitively
- Track and secure equipment adequately
- Account for revenue earned from the use of equipment purchased with grant funds



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## **Fiscal Management**

Fiscal control and accounting procedures must be sufficient to:

- Permit preparation of reports required by EAC
- Permit the tracing of funds to a level of expenditures adequate to determine that funds have not been used in violation of Federal restrictions (HAVA and OMB) and that they comply with the State plan



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## **Fiscal Management**

Accounting records must be supported by source documents, such as:

- Cancelled checks
- Invoices and paid bills
- Payroll records and employee time sheets or semi- annual certifications
- Contract and sub-award documents
- Records sufficient to detail history of procurements



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# Key Elements of Grants Management

## Documentation of Expenses

- All staff are familiar with documentation requirements for Federal grants
- All expenses have supporting documentation that directly relates to expense to the grant
- Organization has proper record retention policy
- Documentation supports expenditure requirements: reasonableness, necessity, allocability, allowability, and adherence to grant guidelines



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## **Key Elements of Grants Management**

To be allowable under Federal awards, costs must meet the following criteria:

- Necessary and reasonable for proper and efficient performance and administration of the program
- Allocable to Federal awards
- Not prohibited under State or local laws or regulations
- Be accorded consistent treatment. (i.e. direct versus indirect costs)



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## **FISCAL MANAGEMENT**

### **“Please Do”**

- ☑ Only use HAVA funds to pay costs that are reasonable and necessary for the performance and administration of the program under which the funds were awarded.
- ☑ Only use HAVA funds to pay costs that comply with the State plan, applicable State laws, and OMB circulars.
- ☑ Establish internal financial controls.





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# **FISCAL MANAGEMENT**

## **“Please Do”**

- ☑ Use procurement procedures that reflect applicable Federal, State, and local laws and regulations
  - ☑ Use a competitive bid process, where possible, restricting the use of exemptions to justified situations
  - ☑ Implement written standards of conduct to avoid the appearance or occurrence of conflicts of interest



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## **FISCAL MANAGEMENT**

### **“Please Do”**

- ❑ Follow State law and procedures when administering HAVA funds and awarding them to sub-recipients.
- ❑ Implement procedures to minimize the time elapsed between the transfer of funds to sub-recipients and disbursement for Federal program purposes.



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## **FISCAL MANAGEMENT**

### **“Please Don’t”**

- ❌ Use HAVA funds when the principal purpose of the transaction is not to accomplish a purpose authorized by HAVA.
- ❌ Use HAVA funds in a manner not anticipated by the State plan submitted to EAC.



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## **FISCAL MANAGEMENT**

### **“Please Don’t”**

- ❌ Use HAVA funds for expenditures that are part of the MOE requirement.
- ❌ Make any HAVA award or permit any HAVA award (sub-award or contract) at any tier to any person that is debarred or suspended or is otherwise excluded from or ineligible for participation in Federal assistance programs under Executive Order 12549, “Debarment and Suspension.”



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## **AUDIT**

**Good Fiscal Management  
Policies Pay Off  
During the Audit and  
Audit Resolution Processes**



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## **Role of Inspector General (OIG)**

- Select program grants to be audited & timeframe
- Conduct independent audits
  - In accordance with Government Accounting Standards
  - Usually by qualified CPA firms
- Draft audit report for comment
- Issue final audit report:
  - Findings & Recommendations including *questioned costs* & internal controls



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## **Role of EAC & Grants Office**

- When appropriate, respond to *Draft Audit*
- Resolve audit *Findings & Recommendations*
- Issue *Management Decision* reflecting agency decision on: *disallowed costs*, systemic issues and internal controls



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## **Role of EAC & Grants Office (cont'd)**

- Assure *Corrective Actions* completed in timely manner by grantee for any:
  - Collection or offset of *disallowed costs*
  - Internal controls
  - Changes in processes, policies or operations





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## **Role of Grantee**

- Provide access to all records, documentation & key staff
- Provide adequate workspace & support for auditors
- Coordinate site visits and with other offices, subgrantees or contractors, counties, etc.
- Respond to reasonable requests
- Comment on draft audit report as necessary
- Work with EAC Grants on any audit resolution
- Implement Corrective Actions after EAC Management Decision



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## **Audit & Resolution Process**

IG Risk-assessment

- Amount of money awarded
- Funding history of the program or grantee;
- Time since last audit; previous findings
- Available funds for audit



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# Audit & Resolution Process

## Engagement Letter

- Identifies CPA audit firm; dates; space needs
- Establishes purpose of audit to determine:
  - HAVA funds expended in compliance with HAVA and administrative requirements (OMB Circulars & EAC guidance)
  - Replacement of punch card & lever systems
  - 5% match, interest & HAVA fund
  - Maintenance of Expenditure (MOE)



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# **Audit & Resolution Process**

## **Audit**

1. Entrance Conference
2. Review records, documentation, interview staff
3. Site visits to a sample of subgrantees, counties, etc.
4. Exit Conference – Debriefing on results

The OIG issues Notices of Findings & Recommendations (NFRs) to the auditee



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# **Audit & Resolution Process**

## **Post-Audit**

- 1. Draft Audit** for comment
- 2. Final Audit** reflecting any changes & incorporating responses



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## **TIPS:**

1. Best preparation is on-going quality grants management, long before audit selection.
2. Involve and get commitment of all appropriate agency personnel and management in planning and coordination before, during and after audit – include in entrance and exit conferences.
3. *Do work* on gathering missing financial or supporting documentation, internally and externally; taking required equipment inventories and other actions recognized as required by the grant and identified in NFRs or draft audit.



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## TIPS:

4. *Do not implement alternative strategies or resolutions to issues identified in **NFRs** (Notice of Finding & Determination) or the draft audit, e.g. affidavits for missing documentation; recreation of records – Remember EAC Grants Office is responsible for determining appropriate resolution.*
5. Respond to draft audit by identifying areas of agreement and disagreement with concise, cogent rationale – your response will be part of record in final Audit Report. Do not inundate with extensive arguments and irrelevant information clutter.
6. Be timely and responsive to EAC Grants to identify resolutions, gather data and information, and implement final Management Decision



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# Top 5 Significant Recurring Audit Findings

## 1. *Time & Activity Reports:*

- System not in place to collect time of staff working on HAVA projects

## 2. *Equipment:*

- No detailed inventory maintained as to location, replacement, no ID

## 3. *Interest or State Match*

- Match not calculated correctly or deposited in election fund; interest not credited, not earned or not collected from subgrantees





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## **Top 5 Significant Recurring Audit Findings**

4. *Lack of Supporting Documentation* (for expenses, *Procurements* or fees)
  - No paperwork behind charges; procurement contracts awarded & paid without regard to competitive rules or justification for selection and prices (OMB A-102)
  
5. *Financial Reporting*
  - Reporting does not reflect State records, missing data, or reporting in wrong HAVA accounts



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**When In Doubt...**



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## **EAC Grants Resources**

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**QUESTIONS...**