

SEMIANNUAL REPORT

**U.S. ELECTION ASSISTANCE
COMMISSION,
OFFICE OF INSPECTOR
GENERAL**



***For the Period:
October 1, 2006, Through
March 31, 2007***



U.S. ELECTION ASSISTANCE COMMISSION
OFFICE OF INSPECTOR GENERAL
1225 New York Ave. NW – Suite 1100
Washington, DC 20005

April 30, 2007

The Honorable Donetta Davidson
Chairwoman
U.S. Election Assistance Commission
1225 New York Avenue NW– Suite 1100
Washington, D.C. 20005

Dear Madam Chairwoman:

The Inspector General Act of 1978 (Public Law 95–452), as amended, calls for the preparation of semiannual reports to the Congress summarizing the activities of the Office of Inspector General (OIG) for the six-month periods ending each March 31 and September 30. I am pleased to enclose the report for the period from October 1, 2006 to March 31, 2007.

The Inspector General's report covers audits, investigations and other reviews conducted by the OIG as well as audits conducted by independent auditors. The report also indicates the status of management decisions whether to implement or not to implement recommendations made by the OIG.

The Act requires that you transmit the report to the appropriate committees of the Congress within 30 days of receipt, together with any comments you may wish to make. Comments that you might offer should be included in your "Report on Final Action," a management report that is required to be submitted along with the Inspector General's report. We will work closely with your staff to assist in the preparation of the management report. The due date for submission of both reports is May 31, 2007.

I appreciate the continuing support we have received from the Chair's Office and your managers throughout the Commission. Working together, I believe we have taken positive steps to improve Commission programs and operations. We look forward to continuing these efforts.

Sincerely,

A handwritten signature in blue ink that reads "Curtis W. Crider". The signature is written in a cursive style with a blue ink color.

Curtis Crider
Inspector General

Table of Contents

	<u>Page</u>
Election Assistance Commission Profile	1
Office of Inspector General Operations	3
State Audits	3
Other Activities	7
Appendices:	
A. Office of Inspector General Reports Issued	8
B. Monetary Impact of Audit Activities	9
C. Reports with Questioned Costs	10
D. Reports with Potential Additional Program Funds	11
E. Reports with Funds Be Put to Better Use	12
F. Reporting Requirements of the Inspector General Act	13

EAC PROFILE

Congress established the Election Assistance Commission (EAC) with the passage of the Help America Vote Act (HAVA) in October 2002. EAC became operational in fiscal year 2004.

Among EAC's Key Duties Are:

Instituting a program to test and certify voting systems to standards developed by EAC

HAVA requires EAC's to:

Generate technical guidance on the administration of federal elections.

Produce voluntary voting systems guidelines.

Administering the use of \$3 billion in Federal payments and grants

Research and report on matters that affect the administration of federal elections.

Researching various Federal election administration topics

Otherwise provide information and guidance with respect to laws, procedures, and technologies affecting the administration of Federal elections.

Administer payments to States to meet HAVA requirements.

Manage funds targeted to certain programs designed to encourage youth participation in elections.

Develop a national program for the testing, certification, and decertification of voting systems.

Maintain the national mail voter registration form that was developed in accordance with the National Voter Registration Act of 1993 (NVRA), report to Congress every two years on the impact of the NVRA on the administration of federal elections, and provide information to States on their responsibilities under that law.

Audit organizations which received federal funds authorized by HAVA from the General Services Administration or the Election Assistance Commission.

Submit an annual report to Congress describing EAC activities for the previous fiscal year.

OIG OPERATIONS

The EAC OIG has one permanent full-time position (the Inspector General), two contract auditors from the U.S. Department of the Interior, and a contract with an independent public accounting firm for additional audit support. The EAC OIG obtains investigative assistance under reimbursable agreements from other Inspectors General.

HAVA added the EAC to the list of designated Federal entities covered by the Inspector General Act (IG) of 1978 (Public Law 95-452, as amended). According to the IG Act, inspectors general:

Conduct and supervise internal reviews, audits and evaluations of agency programs and operations;

Provide leadership and coordination, and recommend actions to management, which: (1) promote economy, efficiency, and effectiveness in agency programs and operations; and (2) prevent and detect fraud, waste, abuse, and mismanagement of government resources; and

Keep the agency head, management, and the Congress fully informed regarding problems and deficiencies, and the progress of corrective action.

State Audits

We completed audits of Texas, Illinois, Pennsylvania, and South Carolina.

We finished four audits of State use of HAVA funds. The objective of the audits was to determine whether the States:

(1) managed HAVA funds in accordance with the Uniform Administrative Requirements for Grants and Cooperative Agreements with State and Local Governments (the Common Rule) and the Cost Principles for State, Local, and Indian Tribal Governments (Office of Management and Budget Circular A-87) and

(2) complied with HAVA requirements for maintaining the election fund and sustaining the State's level of expenditures for elections.

We found that:

TEXAS generally administered HAVA funds in accordance with requirements, properly established the State election fund, appropriated and deposited into the election fund its matching monies, and sustained the appropriate level of state expenditures for elections. The audit also found that Texas incorrectly financed indirect costs with HAVA funds before EAC had approved the State's indirect cost rate. As a result, we questioned indirect costs of \$180,609. In addition, we determined that Texas needs to take additional steps to ensure that income from county leasing of HAVA-financed voting equipment is accurately computed, reported and properly used.

EAC responded that Texas had made the appropriate adjustments for the \$180,609 in unapproved indirect costs and had filed the appropriate amended reports. In addition, Texas was advised that it must ensure that counties retroactively calculate net program income for HAVA funds. Texas must also demonstrate that it has provided appropriate guidance to counties regarding the computation, use, and reporting of program income.

ILLINOIS generally accounted for and expended HAVA funds in accordance with requirements but needed to improve its cash and property

management procedures and/or processes. These improvements are needed to ensure that subrecipients (counties) expend HAVA funds in a timely manner and account for property in accordance with Federal requirements. Disbursing funds from its interest-bearing Help Illinois Vote Fund to counties sooner than needed resulted in lost interest of about \$36,000. We also identified a questionable state expenditure of \$3,889 for an unauthorized activity. Finally, we discovered that Illinois miscalculated its matching fund requirement for Section 251 payments, and did not deposit into the Vote Fund interest earned on the matching funds which it had appropriated. Consequently, Illinois owes the Vote Fund additional matching funds \$189,223 and interest of \$227,996.

In its response to the final report, the EAC said that Illinois must repay at least \$453,290 to the state election fund and \$3,889 to the U.S. Treasury. In addition, Illinois was instructed to analyze all HAVA funds it advanced to its counties and repay any other lost interest to the state election fund. Also, the state must provide EAC copies of revised equipment inventories submitted by the counties to document the changes in recordkeeping procedures for equipment procured with HAVA funds.

PENNSYLVANIA generally accounted for and expended HAVA funds in accordance with requirements. However, we identified a need for administrative improvements to ensure that expenditures for payroll are adequately supported

and equipment is properly managed and safeguarded. Because of insufficient supporting documentation, we questioned payroll of \$562,513. In addition, we were not able to determine whether Pennsylvania satisfied the requirement for maintaining state expenditures for activities funded by Section 251 payments at a level not less than expended in the state fiscal year ending June 30, 2000. This occurred because the state did not identify fiscal year 1999 operations and expenditures for activities currently funded by Section 251 requirements payments and did not monitor State spending for such activities in subsequent years. The EAC is in the process of resolving the issues identified in the report.

SOUTH CAROLINA generally administered funds in accordance with financial management requirements. However, we questioned costs of \$92,506 associated with a vehicle purchase because South Carolina did not obtain required prior approval from EAC. We also noted that South Carolina did make sure that counties kept required property records of equipment purchased with HAVA funds. Furthermore, we found that South Carolina miscalculated the matching fund requirement and did not deposit into the State election fund interest earned on the matching funds which it had appropriated. Consequently, South Carolina understated its matching fund requirement by \$85,319 and owes the election fund interest estimated at \$29,475. Finally, we were not able to determine whether South Carolina satisfied the maintenance of effort requirement because it did not identify its base-year level of

effort or subsequent years spending of state funds pertaining to Section 251-type activities. The EAC is in the process of resolving the issues identified in the report.

Other Activities

The IG Act requires reporting on other categories. We are reporting no actions in the following categories:

- Reviews of Legislation, Rules, Regulations and Other Issuances
- Investigations
- Recommendations in Previous Reports on which Corrective Action has not been Implemented
- Matters Referred to Prosecuting Authorities
- Denial of Access to Records
- Significant Revised Management Decisions Made During the Period
- Significant Management Decisions with Which the Inspector General Disagrees

Reports Issued

Internal Reports

None

Evaluations

Non Compliance with the Federal Information Security Management Act by the U.S. Election Assistance Commission (Assignment No. I-EV-EAC-02-06), October 2006

External Reports

1. Administration of Payments Received Under the Help America Vote Act by the Texas Secretary of State (Assignment No. E-HP-TX-06-06), October 2006

2. Administration of Payments Received Under the Help America Vote Act by the Illinois State Board of Elections (Assignment No. E-HP-IL-07-06), October 2006

3. Administration of Payments Received Under the Help America Vote Act by the Secretary of the Commonwealth of Pennsylvania (Assignment Number E-HP-PA-10-06), January 2007

4. Administration of Payments Received Under the Help America Vote Act by the South Carolina Election Commission (Assignment Number E-HP-SC-11-06), January 2007

Monetary Impact Of Audit Activities*

Questioned Costs	\$ 839,517
Potential Additional Program Funds	532,013
Funds be Put to Better Use	<u>36,071</u>
Total	<u>\$1,407,601</u>

* Unsupported costs are included in questioned costs.

Reports With Questioned Costs*

<i>Category</i>	<i>Number</i>	<i>Questioned Costs</i>	<i>Unsupported Costs</i>
A. For which no management decision had been made by the beginning of the reporting period.	2	0	0
B. Which were issued during the reporting period.	4	\$839,517	\$562,513
Subtotals (A+B)	6	\$839,517	\$562,513
C. For which a management decision was made during the reporting period.	4	\$184,498	0
(i) Dollar value of recommendations that were agreed to by management.		\$122,275	0
(ii) Dollar value of recommendations not agreed to by management.		\$62,223	0
D. For which no management decision has been made by the end of the reporting period.	2	\$655,019	\$562,513
E. Reports for which no management decision was made within 6 months of issuance.	0	0	0

* Unsupported costs are included in questioned costs

Reports With Potential Additional Program Funds

<i>Category</i>	<i>Number</i>	<i>Dollar Value</i>
A. For which no management decision had been made by the beginning of the reporting period.	0	0
B. Which were issued during the reporting period.	2	\$532,013
Subtotals (A+B)	2	\$532,013
C. For which a management decision was made during the reporting period.	1	\$417,219
(i) Dollar value of recommendations that were agreed to by management.		\$417,219
(ii) Dollar value of recommendations that were not agreed to by management.		0
D. For which no management decision has been made by the end of the reporting period.	1	\$114,794
E. Reports for which no management decision was made within six months of issuance.	0	0

Reports With Funds Be Put To Better Use

<i>Category</i>	<i>Number</i>	<i>Dollar Value</i>
A. For which no management decision had been made by the beginning of the reporting period.	0	0
B. Which were issued during the reporting period.	1	\$36,071
Subtotals (A+B)	1	\$36,071
C. For which a management decision was made during the reporting period.	1	\$36,071
(i) Dollar value of recommendations that were agreed to by management.		\$36,071
(ii) Dollar value of recommendations that were not agreed to by management.	0	0
D. For which no management decision has been made by the end of the reporting period.	0	0
E. Reports for which no management decision was made within six months of issuance.	0	0

Reporting Requirements of the IG Act

<u>Section of Act</u>	<u>Requirement</u>	<u>Page</u>
Section 4(a)(2)	Review of Legislation and Regulations	None
Section 5(a)(1)	Significant Problems, Abuses, and Deficiencies	None
Section 5(a)(2)	Recommendations for Corrective Action With Respect to Significant Problems, Abuses, and Deficiencies	None
Section 5(a)(3)	Significant Recommendations From Agency's Previous Report on Which Corrective Action Has Not Been Completed	None
Section 5(a)(4)	Matters Referred to Prosecutive Authorities and Resulting Convictions	None
Section 5(a)(5)	Matters Reported to the Head of the Agency	None
Section 5(a)(6)	List of Audit Reports Issued During the Reporting Period	8
Section 5(a)(7)	Summary of Significant Reports	3
Section 5(a)(8)	Statistical Table - Questioned Costs	10
Section 5(a)(9)	Statistical Table - Recommendations That Funds Be Put to Better Use	12
Section 5(a)(10)	Summary of Audit Reports Issued Before the Commencement of the Reporting Period for Which No Management Decision Has Been Made	None
Section 5(a)(11)	Significant Revised Management Decisions Made During the Reporting Period	None
Section 5(a)(12)	Significant Management Decisions With Which the Inspector General Is in Disagreement	None
Section 5(a)(13)	Information Described Under Section 05(b) of the Federal Financial Management Improvement Act of 1996	None

OIG's Mission

The OIG audit mission is to provide timely, high-quality professional products and services that are useful to OIG's clients. OIG seeks to provide value through its work, which is designed to enhance the economy, efficiency, and effectiveness in EAC operations so they work better and cost less in the context of today's declining resources. OIG also seeks to detect and prevent fraud, waste, abuse, and mismanagement in these programs and operations. Products and services include traditional financial and performance audits, contract and grant audits, information systems audits, and evaluations.

Obtaining Copies of OIG Reports

Copies of OIG reports can be requested by e-mail.
(eacoig@eac.gov).

Mail orders should be sent to:

U.S. Election Assistance Commission
Office of Inspector General
1225 New York Ave. NW – Suite 1100
Washington, DC 20005

To order by phone: Voice: (202) 566-3100
Fax: (202) 566-0957

To Report Fraud, Waste and Abuse Involving the U.S. Election Assistance Commission or Help America Vote Act Funds

By Mail: U.S. Election Assistance Commission
Office of Inspector General
1225 New York Ave. NW – Suite 1100
Washington, DC 20005

E-mail: eacoig@eac.gov

OIG Hotline: 866-552-0004 (toll free)

FAX: 202-566-0957
