

SEMIANNUAL REPORT TO CONGRESS

U.S. ELECTION ASSISTANCE
COMMISSION
OFFICE OF INSPECTOR GENERAL



*For the Period:
April 1, 2009, through
September 30, 2009*



U.S. Election Assistance Commission
Office of Inspector General

A Message from the Inspector General

This report is submitted to Congress pursuant to the Inspector General Act of 1978, as amended. It summarizes the activities of the Office of Inspector General (OIG) for the six-month period ending September 30, 2009.

During this semiannual reporting period, we issued three reports on the states' uses of Help America Vote Act (HAVA) funds. We found that for the most part states are using HAVA funds properly, but there were issues with procurement processes, documenting expenses—including salaries—and inventorying equipment purchased with Federal funds. The reports resulted in \$2.7 million in questioned costs, identified more than \$12,000 in additional program funds, and made 28 recommendations to the EAC.

Over the past six months, we are pleased to see improvements in EAC operations, particularly its financial management activities. There is still much work to be done to develop and implement policies and procedures that underpin EAC operations and ensure its future success. The OIG will continue to work with the EAC as it develops these fundamental policies.

The OIG is also pleased to see a reduction in monetary findings associated with its audits of the states and their uses of HAVA funds. We hope that this trend will continue and that states will take advantage of training opportunities and insights to be gained from the many reports that the OIG has issued regarding the use of HAVA funds.

Submitted October 30, 2009



Curtis W. Crider
Inspector General

Profile of Performance

Profile of Performance for the Period April 1, 2009, through September 30, 2009

Results	
Questioned Costs	\$ 2,745,126
Potential Additional Program Funds	\$ 12,182
Funds to be Put to Better Use	\$ 0

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Election Assistance Commission Profile

The U.S. Election Assistance Commission (EAC or Commission) is a bipartisan, independent commission consisting of four members: Gineen Bresso Beach, Chair; Gracia Hillman, Vice Chair; and Donetta Davidson. There is one vacancy on the Commission due to the resignation of a Commissioner in February 2009.

The EAC was created by the Help America Vote Act of 2002 (HAVA) to assist states with improving the administration of elections for Federal office. The EAC accomplishes this mission by providing funding, innovation, guidance and information that can be used by the states to purchase equipment, train election personnel, and implement new election programs. The EAC has distributed more than \$3.1 billion in funding to the 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, Guam and American Samoa (hereinafter referred to as “states”). With those funds, the states have purchased voting equipment, established statewide voter registration lists, implemented provisional voting, provided informational material to voters at the polling place, and implemented a program to verify the identity of voters using the statewide voter registration list in combination with other state and Federal databases.

HAVA also placed EAC in charge of the first Federally-run testing and certification program for voting systems. Through its program, the EAC develops standards for voting equipment, accredits laboratories, and reviews and certifies voting equipment based upon the tests performed by the accredited laboratories.

The EAC also has the responsibility for administering the National Voter Registration Act (NVRA) by promulgating regulations for the content and use of the National Mail Voter Registration form. The EAC inherited the responsibility from the Federal Election Commission.

Office of Inspector General Profile

The EAC is a designated Federal entity under the Inspector General Act (IG Act) of 1978 (5 U.S.C.A. App. 3). As such, the Commission in August 2006 appointed the Inspector General. The OIG also employs a senior auditor and a general counsel.

We perform the duties of the Inspector General as established in the IG Act, including:

- Conducting and supervising audits, investigations, and other services (e.g., evaluations) relating to the programs and operations of the EAC;
- Providing leadership and coordination, and recommending 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
- Keeping the agency head, management, and Congress fully informed regarding problems and deficiencies, and the progress of corrective actions.

To accomplish all of this with our limited staff, we use contract auditors to conduct many of the state and agency audits. In addition, when conducting an investigation, we work with other Federal government agencies to detail or contract for investigative services.

Since the inception of the audit program, the OIG has completed audits of 22 states – with audits of additional five states under way – and through the completed audits reported findings related to states' expenditures of nearly \$25.5 million. In the first several fiscal years, the OIG questioned a greater percentage of HAVA funds based upon their use. However, over

the past fiscal year, the OIG has seen a reduction in the monetary findings associated with its HAVA funds audits. This is directly attributable the states' efforts to effectively monitor and document their use of federal funds. In fact, one state audited in the current reporting period received no monetary findings and one state audited during a prior period received a clean audit.

The OIG's program to ensure economy, efficiency and integrity in the use of funds is not exclusively translated into audits. The OIG has also worked with the EAC to help educate states on the requirements that are associated with federal funding. This educational effort included a joint training session at the National Association of Secretaries of State Winter Conference.

State Audits

The OIG conducts audits of the recipients of HAVA funds. Through those audits, the OIG examines whether the recipient used HAVA funds in accordance with HAVA and other applicable Federal requirements. We also determine whether the recipient has properly accounted for purchases made with HAVA funds and any income derived from those purchases. Last, we assessed whether grant funding has been maintained and accounted for in keeping with HAVA, particularly, whether the recipient has provided sufficient matching funds and maintained Federal monies in a separate election fund.

During the reporting period, the OIG contracted with the professional auditing firm Clifton Gunderson LLP to conduct the audits. Three reports were issued based upon those audits:

Oregon: The audit of the Oregon Secretary of State's Election Division (SOS-ED) revealed that the SOS-ED generally accounted for and expended HAVA funds in accordance with the HAVA requirements and complied with the financial management requirements established by the EAC. The

SOS-ED also complied with section 251 requirements. However, the SOS-ED did not maintain a comprehensive inventory of property as required by the *Uniform Administrative Requirements for Grants and Cooperative Agreements with State and Local Governments*, 41 C.F.R. § 105-71.132.

In its response to the draft report, the SOS-ED generally agreed with the report's findings and recommendations and provided corrective actions.

Iowa: An audit of the Iowa Secretary of State (SOS) disclosed that the SOS did not account for and expend HAVA funds in accordance with HAVA and applicable Office of Management and Budget Circulars. Specifically, the report cited the SOS for (1) failing to timely deposit its matching funds into the state's election fund resulting in an interest deficit of \$12,182; (2) allowing counties to deposit interest earned on HAVA funds into their general funds rather than being used to benefit the HAVA program; (3) failing to maintain required inventories of equipment; (4) using \$369,740 for capital improvement of polling places without pre-approval by the EAC; (5) using sole source procurement to acquire \$1,222,501 in goods and services; (6) using \$118,224 for promotional activities not authorized by HAVA; (7) using \$14,000 to purchase radio commercials that did not meet one of the approved purposes outline in HAVA; (8) failing to adequately support \$885,573 in personnel charges; (9) using \$21,000 for a lease agreement from which no tangible benefit was received; and (10) filing errant reports with the EAC. The audit resulted in questioning \$2,555,274 in costs and identifying \$12,182 that should be used for program purposes.

In its responses to the findings and recommendations, the SOS generally disagreed with the majority of findings but has implemented remedial measures recommended by the OIG. Several issues are left to the resolution of the EAC, particularly whether the EAC will retroactively approve the use of HAVA funds for capital improvements, whether EAC will accept affidavits of a former SOS employee as documentation of personnel expenses, and how the EAC will treat non-competitively let procurements made by the SOS.

Rhode Island: An audit of the State of Rhode Island and Providence Plantations Secretary of State (SOS) found that the SOS generally accounted for and expended HAVA funds in accordance with the HAVA requirements and complied with the financial management requirements established by the EAC. Several exceptions were noted: (1) the SOS filed incomplete financial reports with the EAC; (2) HAVA receipts and expenditures under HAVA sections 101 and 251 were commingled in the state's accounting system; (3) the state did not adequately document personnel costs of \$189,852; (4) more than 35% of the state's cities and towns reported using HAVA funded equipment for non-HAVA related activities; and (5) the state failed to timely deposit matching funds in to the election fund resulting in an undetermined interest deficit.

In its responses to the findings and recommendations, the SOS generally agreed with the findings and recommendations made by the OIG. In one exception, the SOS disputed that calendar notations and time logs were insufficient documentation of personnel costs.

Other Activities

Reviews of Legislation, Rules, Regulations and Other Issuances

The OIG conducts regular monitoring of EAC program activities and policy-making efforts. We provide comment to significant policy statements, rulemaking and legislation that affects the EAC. During the reporting period, the OIG provided comments on four legislative proposals circulated by the Council on Inspectors General for Integrity and Efficiency. The OIG also provided suggested revisions to the EAC's Freedom of Information Act regulations as well as its Privacy Act system of records to reflect the designation of a FOIA Officer for the OIG.

Non-Federal Audits

OMB Circular A-133 establishes audit requirements for State and local governments, receiving Federal awards. Covered entities that expend \$500,000 or more a year in Federal awards are required to obtain an annual organization-wide audit "single audit". The audits are conducted by non-Federal auditors, such as public accounting firms and State auditors. OIG reviews the resulting audit reports, findings and questioned costs related to EAC awards.

During this reporting period, the OIG referred the following Single Audits to the EAC:

- California Statewide Single Audit for the Year Ended June 30, 2008
- Nebraska Statewide Single Audit for the Year Ended June 30, 2008
- State of Iowa Single Audit Report for the Year Ended June 30, 2008

Investigations

The OIG operates a hotline for the receipt of complaints from employees and members of the public. The OIG received 23 complaints during the reporting period. Some of those complaints did not warrant an investigation given the nature of the complaint. The OIG initiated one, ongoing investigation of hotline or other complaints during the reporting period.

Prosecutions

During the reporting period, four persons were indicted on 200 counts related to the use of HAVA funds. The OIG's audit of the subject state was the basis of a state-led investigation into the activities of state officials and contractors. The investigation culminated in a presentation

to the state's grand jury which returned indictments ranging from embezzlement to money laundering to tax evasion.

Review and Oversight

The OIG often works closely with grantees as they investigate claims of improper uses of grant funds. During the current reporting period, the OIG worked with the state of Florida as it reviewed expenditures made by the Hillsborough County Supervisor of Elections Office in preparation for the November 2008 election. The state of Florida commissioned an analysis of the funds that revealed some inappropriate uses of funds and some expenditures that the county could use to offset the questionable ones. A final report was issued on August 20, 2009 and is now pending resolution by the EAC.

Other Activities

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

- 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



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Reports Issued

State Audits

1. Administration of Payments Received Under the Help America Vote Act by the Oregon Secretary of State's Election Division (Assignment Number E-HP-OR-07-08), June 2009

2. Administration of Payments Received Under the Help America Vote Act by Iowa's Secretary of State (Assignment Number E-HP-IA-06-08), September 2009

3. Administration of Payments Received Under the Help America Vote Act by The Rhode Island and Providence Plantations Secretary of State's Election Division (Assignment Number E-HP-RI-05-07), September 2009

Monetary Impact of Audit Activities

Questioned Costs*	\$ 2,745,126
Potential Additional Program Funds	\$ 12,182
Funds to Be Put to Better Use	\$ 0
Total	<u>\$ 2,757,308</u>

*Unsupported costs are included in questioned costs.

Reports With Questioned Costs

<u>Category</u>	<u>Number</u>	<u>Questioned Costs</u>	<u>Unsupported Costs</u>
A. For which no management decision had been made by the beginning of the reporting period.	1	\$ 261,808	\$ 0
B. Which were issued during the reporting period.	2	\$ 2,745,126	\$ 0
Subtotals (A + B)	3	\$ 3,006,934	\$ 0
C. For which a management decision was made during the reporting period.	0	\$ 0	\$ 0
(i) Dollar value of recommendations that were agreed to by management.	0	\$ 0	\$ 0
(ii) Dollar value of recommendations not agreed to by management.	0	\$ 0	\$ 0
D. For which no management decision has been made by the end of the reporting period.	2	\$ 2,745,126	\$ 0
E. Reports for which no management decision was made within 6 months of issuance.	1	\$ 261,808	\$ 0

Reports With Potential Additional Program Funds

<u>Category</u>	<u>Number</u>	<u>Dollar Value</u>
A. For which no management decision had been made by the beginning of the reporting period.	1	\$ 3,222
B. Which were issued during the reporting period.	1	\$ 12,182
Subtotals (A+B)	2	\$ 15,404
C. For which a management decision was made during the reporting period.	0	\$ 0
(i) Dollar value of recommendations that were agreed to by management.	0	\$ 0
(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.	1	\$ 12,182
E. Reports for which no management decision was made within six months of issuance.	1	\$ 3,222

Summary of Reports More Than 6 Months Old Pending Corrective Action at September 30, 2009

The following is a list of audit and evaluation reports that are more than 6 months with management decisions for which corrective action has not been completed. It provides report number, title, issue date, and the number of recommendations without final corrective action.

E-HP-IL-07-06	Administration of Payments Received Under the Help America Vote Act by the Illinois State Board of Elections, October 2006, 2 Recommendations
E-HP-SC-11-06	Administration of Payments Received Under the Help America Vote Act by the South Carolina Election Commission, January 2007, 3 Recommendations
E-HP-WY-03-07	Administration of Payments Received Under The Help America Vote Act by the Wyoming Secretary Of State Elections Division, January 2008, 2 Recommendations
E-HP-NM-01-07	Administration of Payments Received Under the Help America Vote Act by the New Mexico Secretary of State, May 2008, 2 Recommendations
E-HP-NC-04-08	Administration of Payments Received Under the Help America Vote Act by the North Carolina State Board of Elections, October 2008, 1 Recommendations
I-PA-EAC-01-06	Improvements Needed in Management of Travel by the Election Assistance Commission, July 2007, 4 Recommendations
I-EV-EAC-01-07B	Assessment of the U.S. Election Assistance Commission's Program and Financial Operations, February 2008, 16 Recommendations

- I-PA-EAC-01-08 Audit of the U.S. Election Assistance Commission's
Fiscal Year 2008 Financial Statements, November
2008, 19 Recommendations
- I-PA-EAC-02-08 Audit of U.S. Election Assistance Commission's
Compliance with Section 522 of the 2005 Consolidated
Appropriations Act, March 2009, 4 Recommendations
- I-EV-EAC-01-08 United States Election Assistance Commission Federal
Information Security Management Act 2008
Independent Evaluation Report, October 2008, 9
Recommendations

Summary of Reports More Than 6 Months Old Pending Management Decision at September 30, 2009

This listing included a summary of audit and evaluation reports that were more than 6 months old on September 30, 2009, and still pending a management decision. It provided report number, title, and number of unresolved recommendations.

E-HP-FL-02-08	Administration of Payments Received Under the Help America Vote Act by the State of Florida, November 2008, 1 Recommendation
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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	5
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	13
Section 5(a)(4)	Matters Referred to Prosecutive Authorities and Resulting Convictions	6
Section 5(a)(5)	Matters Reported to the Head of the Agency	None
Section 5(a)(6)	List of Reports Issued During the Reporting Period	9
Section 5(a)(7)	Summary of Significant Reports	3
Section 5(a)(8)	Statistical Table – Questioned Costs	11
Section 5(a)(9)	Statistical Table – Recommendations That Funds Be Put to Better Use	None
Section 5(a)(10)	Summary of Audit Reports Issued Before the Commencement of the Reporting Period for Which No Management Decision Has Been Made	15
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 804(b) of the Federal Financial Management Improvement Act of 1996	None

OIG's Mission

Help to ensure efficient, effective, and transparent EAC operations and programs

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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)

On-Line Complaint Form: www.eac.gov/eac_ig

FAX: 202-566-0957





Inspector General

U.S. Election Assistance Commission

This report, as well as other OIG reports and testimony, are available on the internet at: www.eac.gov/eac_ig