



U.S. Election Assistance Commission Office of the Inspector General

AUDITING HAVA FUNDS

February 2011

3rd Quarter 2001 3rd Quarter 2000 2nd Quarter 2001 Nine Months 2001 Nine Months 2000
Revenues \$43,641 \$59,338 \$50,789 \$152,499 \$183,706*
Expenses 43,018 55,467 47,979 144,918 166,224*
After-Tax Profit/Loss 405 2,516 1,832 4,927 11,362*
After-Tax Annualized Return on Capital 1.1% 7.3% 5.0% 4.5% 11.4%
Assets** 2,680,452 2,342,225 2,562,618 2,680,452* 2,342,225
Capital & Subordinations 150,319* 139,721 146,179 150,319* 139,721
Commission Revenue 6,741 8,668 10,715 25,866*
Number of Firms Reporting 261 273 258 272 284
Number of Profitable Firms 158 170 171 176 213
Aggregate Pre-Tax Earnings of Profitable Firms (2,183) (428) (663) (3,388) (989)
Number of Unprofitable Firms 103 83 87 94 42
Aggregate Pre-Tax Earnings of Profitable Firms (2,183) (428) (663) (3,388) (989)
3rd Quarter 2001 3rd Quarter 2000 2nd Quarter 2001 Nine Months 2001 Nine Months 2000
Revenues \$43,641 \$59,338 \$50,789 \$152,499 \$183,706*
Expenses 43,018 55,467 47,979 144,918 166,224*
After-Tax Profit/Loss 405 2,516 1,832 4,927 11,362*
After-Tax Annualized Return on Capital 1.1% 7.3% 5.0% 4.5% 11.4%
Assets** 2,680,452 2,342,225 2,562,618 2,680,452* 2,342,225
Capital & Subordinations 150,319* 139,721 146,179 150,319* 139,721
Commission Revenue 6,741 8,668 10,715 25,866*
Number of Firms Reporting 261 273 258 272 284
Number of Profitable Firms 158 170 171 176 213
Aggregate Pre-Tax Earnings of Profitable Firms (2,183) (428) (663) (3,388) (989)
Number of Unprofitable Firms 103 83 87 94 42
Aggregate Pre-Tax Earnings of Profitable Firms (2,183) (428) (663) (3,388) (989)

Who is the IG and what does he do?

- ✓ **The Inspector General is an independent officer of the EAC established by HAVA and the Inspector General Act of 1978 (IG Act).**
- ✓ **The IG Act and HAVA give EAC's IG authority to:**
 - ✓ **Conduct and report on audits and investigations related to EAC programs (both internal and external)**
 - ✓ **Review and comment on existing or proposed legislation**
 - ✓ **Recommend policies and conduct activities to promote economy and efficiency in and to prevent waste, fraud and abuse in EAC programs**
 - ✓ **To issue semiannual reports to Congress and the EAC that report on fraud, problems, abuses and deficiencies in EAC programs**

Who is the IG and what does he do?

✓ Tools given to the IG to carry out his duties:

- ✓ Access to all records related to the programs and operations of the EAC (and that trickles down to other organization which administer HAVA funds).
- ✓ Ability to request any information or assistance necessary from any Federal, State, or local government or unit thereof
- ✓ Authority to issue subpoenas for the production of records
- ✓ Authority to administer oaths and take sworn statements
- ✓ Direct and prompt access to the EAC Chair
- ✓ Authority to receive and investigate complaints from employees and members of the public

IG's Programs and Activities

- ✓ **Auditing HAVA funding programs**
 - ✓ **30 states have been audited**
 - ✓ **Audits cover nearly \$ 1.3 billion**
 - ✓ **Audits have resulted in:**
 - ✓ **Questioning \$ 18.1 million in costs**
 - ✓ **Identifying \$ 13.1 million that must be used for program purposes**
- ✓ **Auditing EAC programs and financial statements**
 - ✓ **Issued 15 reports**
 - ✓ **Internal and External Investigations**
 - ✓ **Conducted 3 investigations: 2 internal, 1 external**
 - ✓ **All reports are available at www.eac.gov**

EAC STATE AUDIT PROGRAM

The states for review are selected based

- ✓ on the amount of money the state has expended,
- ✓ the results of single audits, and
- ✓ results of any reviews by the state or other auditors, and
- ✓ special requests.

To date, the primary reason for scheduling an audit of a state has been the amount of money expended by the state.

Currently the OIG is using an independent public accounting firm – Clifton Gunderson LLP to conduct audits of state's use of HAVA funds

Meet the IG and his staff

Curtis Crider,
Inspector General

Arnie Garza
Assistant Inspector
General for Audits

Juliet Hodgkins,
Counsel to the
Inspector General

AUDITING HAVA FUNDS – What to expect

✓ These Slides will cover:

- ✓ The audit process from announcement letter to final report
- ✓ Identify what topics and funding will be covered by the audit
- ✓ Identify what information auditors will need
- ✓ Identify the statutory and regulatory authorities that auditors will be using to evaluate your management and use of HAVA funds
- ✓ Communications that you can expect from the auditors and IG
- ✓ Provide some examples of findings from previous audits and how to avoid a similar finding

AUDITING HAVA FUNDS

Getting Started:

✓ Call the State

✓ Arrange for an audit start date (about three weeks) from the date of the initial call

✓ Send formal announcement letter to chief state election official

AUDITING HAVA FUNDS

Announcement Letter:

✓ **States the audit objectives**

✓ **Asks for office space for two auditors**

✓ **Asks for telephone and data lines for two computers**

✓ **Lists the information we plan to examine**

AUDITING HAVA FUNDS

Information to be examined:

- ✓ **All audit reports and other reviews related to the Office's financial management systems and the HAVA program for the last 5 years.**
- ✓ **Policies, procedures and regulations for the Office's accounting, personnel, payroll, property, and procurement systems as they relate to the state's administration of HAVA funds and programs.**

AUDITING HAVA FUNDS

Information to be examined:

- ✓ **An organizational chart of the office and a list of all full and part-time employees of the office indicating those employees whose salary is financed with HAVA funds. (If applicable, also identify other employees from the state whose salary is paid in full or in part with HAVA funds).**
- ✓ **Time sheets/certifications of work performed for full-time and part-time HAVA employees.**
- ✓ **Inventory list of all equipment purchased with HAVA funds.**

AUDITING HAVA FUNDS

Information to be Examined:

- ✓ **Contract and procurement files for procurements (i.e. voter registration system and election systems).**
- ✓ **Source/supporting documents for payments made with HAVA funds.**
- ✓ **List of all agreements providing HAVA funds to counties.**
- ✓ **County financial reports submitted to the office.**

AUDITING HAVA FUNDS

Information to be examined:

- ✓ **State laws that established and impact the election fund.**
- ✓ **Description of office's methods of accounting for any income, such as revenue from equipment leases, generated by HAVA programs.**
- ✓ **Identification of the expenditure of funds in fiscal year 2000 for the level of effort for section 251-type activities and the support for those expenditures.**

AUDITING HAVA FUNDS

Information to be examined:

- ✓ **Appropriations and expenditure reports for State funds used to maintain the level of expenses for elections at least equal to the amount expended in fiscal year 2000 and to meet the five percent matching requirement for section 251 requirements payments.**
- ✓ **Source/supporting documents for the maintenance of effort and matching contributions including any plan filed with the EAC.**

AUDITING HAVA FUNDS

Criteria for Evaluation:

HAVA

Identifies activities for which funds may be used and conditions for receipt of funds, such as matching, maintenance of effort, and election fund requirements for 251 payments.

Other Federal Guidance

U.S. Office of Management and Budget Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments (2 CFR 225)*.

EAC Guidance

***HAVA FUNDS MANAGING, RECORDKEEPING, REPORTING, AND AUDITING* and EAC advisories, opinions and frequently asked questions.**

Common Rule, *Uniform Administrative Requirements for Grants and Cooperative Agreements with State and Local Governments (41CFR 105-71)*.

AUDITING HAVA FUNDS

Auditors' Preparatory Work:

✓ **Review Financial Status Reports**

✓ **Determine amounts spent, kinds of expenditures, and interest reported.**

✓ **Read state plan**

✓ **Learn about program and if/how funds delivered to counties.**

✓ **Review prior audits**

✓ **Identify issues and determine if scope of our audit will be curtailed.**

✓ **Check state website**

✓ **Get pertinent laws and regulations and information on procurement and property management.**

AUDITING HAVA FUNDS

Field Work - Expenditures:

✓ Record keeping

✓ Are there separate accounts to track the uses of 101, 102, and 251 funds?

✓ Do the amounts reported on the 269s agree with the accounting records?

✓ Audit tests

✓ Are salaries adequately supported?

✓ Are indirect costs properly charged?

✓ Are purchases competitively made?

✓ Is equipment adequately safeguarded and tracked?

✓ County expenditures

✓ If a state granted funds to its counties, the same questions are answered for the county activities.

AUDITING HAVA FUNDS

Fieldwork - Compliance:

ELECTION FUND

- ✓ **Is there a state election fund?**
- ✓ **Have all HAVA payments been deposited in the fund?**
- ✓ **Has the state match been properly computed and deposited into the fund?**
- ✓ **Has interest been earned and properly recorded?**
- ✓ **Is use of the fund restricted to 251-related activities?**

AUDITING HAVA FUNDS

Fieldwork - Compliance:

MATCHING

✓ **HAVA section 253 (b)(5): “The State has appropriated funds for carrying out the activities for which the requirements payment is made in an amount equal to 5 percent of the total amount to be spent for such activities (taking into account the requirements payments and the amount spent by the State)”**

Requirements payment equals \$40,000,000.

Wrong -- $\$40,000,000 \times 5\% = \$2,000,000.$

Right -- $\$40,000,000 / 95\% = \$42,105,263.$

$\$42,105,263 \times 5\% = \$2,105,263.$

AUDITING HAVA FUNDS

Communications:

- ✓ **Notification of Findings and Recommendations**
- ✓ **Auditors give state written summaries of findings and recommendations for feedback while on site.**
- ✓ **Exit Conference**
- ✓ **Auditors brief state on all reportable matters upon leaving the audit site.**
- ✓ **Draft Audit Report**
- ✓ **Auditors issue non-public draft report to state which requests written comments within 30 days.**
- ✓ **Final Audit Report**
- ✓ **Auditors, after receipt of comments, issue public final report to EAC recommending that it ensure that all matters are resolved.**

AUDITING HAVA FUNDS

Audit Resolution:

✓ **Final Audit Report**

✓ **EAC Executive Director has 60 days to issue a decision resolving any audit findings**

✓ **Appeal**

✓ **If a state disagrees with the final decision, it has 30 days to appeal the decision to the Commission**

✓ **Hearing**

✓ **Commission can grant a hearing to collect evidence and hear from the appealing state**

✓ **Final Decision**

✓ **Commission has 60 days from the date of appeal to render a final and binding decision on the appeal.**

AUDITING HAVA FUNDS

Findings:

| |
|---|
| Inadequate Accounting |
| Non-Competitive Contracting |
| Unsupported Salaries |
| Unsupported Trans. – non salary |
| Improper Election Fund |
| Incomplete Records of Equipment |
| Unaccounted for Program Income |
| Undocumented Maintenance of Effort |
| Unapproved Equipment Purchase |
| Understated Match |
| Lost Interest |
| Deficient Monitoring of County Acts. |
| Ineligible Activities |
| Incorrect Indirect Costs |
| Duplicate Costs |
| Weak Cash Mgt. for County Grants |

AUDIT FINDINGS: HOW TO AVOID THEM

Unsupported salaries

- **Documentation is required to support salaries paid with HAVA funds – See OMB Circular A-87, Attachment B, 8.**
- **For employees whose salaries are partially paid with HAVA funds, the state must show a time sheet documenting the amount of time the employee spent on HAVA-related activities**
- **For employees whose salaries are wholly paid with HAVA funds, the state must show, at least, a certification of that the employee's entire job was HAVA related**

AUDIT FINDINGS: HOW TO AVOID THEM

Incomplete Records of Equipment

- **Property records must be maintained that include**
 - a description of the property
 - a serial number or other identification number
 - the source of property
 - who holds title, the acquisition date, and cost of the property
 - percentage of Federal participation in the cost of the property
 - the location, use and condition of the property, and
 - any ultimate disposition data including the date of disposal and sale price of the property.
- **A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.**
- **A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft shall be investigated.**
- **Adequate maintenance procedures must be developed to keep the property in good condition.**

OMB Circular A-102, Common Rule, Section .32, Equipment



U.S. ELECTION ASSISTANCE COMMISSION

OFFICE OF INSPECTOR GENERAL

1201 NEW YORK AVENUE, NW

Suite 300

WASHINGTON, D.C. 20005

202-566-3125

1-866-552-0004

ccrider@eac.gov