



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

FINAL REPORT:

**ADMINISTRATION OF PAYMENTS
RECEIVED UNDER THE HELP AMERICA
VOTE ACT BY THE DISTRICT OF
COLUMBIA BOARD OF ELECTIONS AND
ETHICS**

APRIL 23, 2003 THROUGH SEPTEMBER 30, 2013

**Report No.
E-HP-DC-01-14
March 2015**



U.S. ELECTION ASSISTANCE COMMISSION
OFFICE OF INSPECTOR GENERAL
1335 East West Highway - Suite 4300
Silver Spring, MD 20910

Memorandum

March 24, 2015

To: Alice Miller
Acting Executive Director

From: Curtis W. Crider *Curtis W. Crider*
Inspector General

Subject: Final Performance Audit Report - Administration of Payments Received
Under the Help America Vote Act by the District of Columbia Board of
Elections and Ethics (Assignment Number E-HP-DC-01-14)

We contracted with the independent certified public accounting firm of McBride, Lock & Associates, LLC to audit the administration of payments received under the Help America Vote Act (HAVA) by the District of Columbia Board of Elections and Ethics (Board)

In its audit, McBride, Lock & Associates, LLC concluded that the Board generally accounted for and expended the HAVA funds in accordance with applicable requirements for the period from April 23, 2003 through September 30, 2013. However the following exceptions were identified:

1. The Board did not appropriately categorize HAVA expenditures as Federal grant expenditures.
2. The Board submitted financial reports that could not be supported by underlying accounting records.
3. The Board did not adequately support all salaries and wages charged to the grant award.
4. The Board's equipment management was not adequate in regards to the maintenance of property records.
5. The Board did not provide adequate documentation to support allowability for certain expenditures.
6. The Board expended \$309,020 of HAVA funds for purposes that were not allowable under the award's terms and conditions or HAVA regulations.
7. The Board did not support that interest was credited accurately on Election Funds.

The Board responded on March 2, 2015 and generally did not agree with the report's findings and recommendations. The EAC responded on February 26, 2015 and stated they generally agree with the findings in the draft audit report and will work with the Board to ensure appropriate corrective action. The Board's complete response is included as Appendix A-1 and the EAC's complete response as Appendix A-2.

We would appreciate being kept informed of the actions taken on our recommendations as we will track the status of their implementation. Please respond in writing to the findings and recommendation included in this report by May 26, 2015. Your response should include information on actions taken or planned, targeted completion dates, and titles of officials responsible for implementation.

To fulfill our responsibilities under Government Auditing Standards, the Office of Inspector General:

- Reviewed McBride, Lock & Associates, LLC's approach and planning of the audit;
- Evaluated the qualifications and independence of the auditors;
- Monitored the progress of the audit at key points;
- Reviewed the audit report, prepared by McBride, Lock & Associates, LLC to ensure compliance with Government Auditing Standards; and
- Coordinated issuance of the audit report.

McBride, Lock & Associates, LLC is responsible for the attached auditor's report and the conclusions expressed in the report. We do not express any opinion on the conclusions presented in McBride, Lock & Associates, LLC's audit report.

The legislation creating the Office of Inspector General requires that we report to Congress semiannually on all audit reports issued, actions taken to implement our recommendations, and recommendations that have not been implemented.

If you have any questions regarding this report, please call me at (301) 734-3104.

Attachment

cc: Director of Grants and Payments

Performance Audit Report

**Administration of Payments Received Under the Help America Vote Act by
the District of Columbia Board of Elections and Ethics**

Prepared for

**The United States Election Assistance Commission (EAC)
Office of Inspector General**

By

McBride, Lock & Associates, LLC

January 2015

McBRIDE, LOCK & ASSOCIATES, LLC

CERTIFIED PUBLIC ACCOUNTANTS
KANSAS CITY

Performance Audit Report
Administration of Payments Received Under the Help America Vote Act by
the District of Columbia Board of Elections and Ethics

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**U.S. Election Assistance Commission
Performance Audit Report
Administration of Payments Received Under the Help America Vote Act by
the District of Columbia Board of Elections and Ethics**

EXECUTIVE SUMMARY

McBride, Lock & Associates, LLC was engaged by the United States Election Assistance Commission (EAC) Office of the Inspector General to conduct a performance audit of the District of Columbia Board of Elections and Ethics (Board) from inception in April 23, 2003 through September 30, 2013 to determine whether the Board used payments authorized by Sections 101, 102, and 251 of the Help America Vote Act of 2002 (the HAVA) in accordance with HAVA and applicable requirements; accurately and properly accounted for property purchased with HAVA payments and for program income; maintained state expenditures at a level not less than the level maintained in the fiscal year ending prior to November 2000; and met HAVA requirements for Section 251 funds for an election fund and for a matching contribution.

In addition, the Commission requires states to comply with certain financial management requirements, specifically:

- Comply with the *Uniform Administrative Requirements for Grants and Cooperative Agreements with State and Local Government*, 41 CFR 105-71, (originally Office of Management and Budget Circular A-102, also known as the “Common Rule”).
- Expend payments in accordance with cost principles set forth in *Cost Principles for State and Local Governments*, 2 CFR 225, (originally Office of Management and Budget Circular A-87) for establishing the allowability or unallowability of certain items of cost for federal participation.
- Follow the requirements of the Federal Cash Management and Improvement Act.
- Submit detailed annual financial reports on the use of Title I and Title II payments.
- Comply with the provisions of *Audits of States, Local Governments and Non-Profit Organizations* (Office of Management and Budget Circular A-133).

We conducted this performance audit in accordance with *Generally Accepted Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on the audit objectives.

Based on the audit procedures performed, except for the matters discussed below, we concluded that the Board generally accounted for and expended the Grant funds in accordance with the requirements mentioned above for the period from April 23, 2003 through September 30, 2013. The exceptions are as follows:

1. The Board did not appropriately categorize HAVA expenditures as Federal grant expenditures.
2. The Board submitted financial reports that could not be supported by underlying accounting records.
3. The Board did not adequately support all salaries and wages charged to the grant award.
4. The Board's equipment management was not adequate in regards to the maintenance of property records.
5. The Board did not provide adequate documentation to support allowability for certain expenditures.
6. The Board expended \$309,020 of HAVA funds for purposes that are not allowable under the award's terms and conditions or HAVA regulations.
7. The Board did not support that interest was credited accurately on Election Funds.

We have included in this report as Appendix A, the Board of Election and Ethic's written response to the draft report. Such response has not been subjected to the audit procedures and, accordingly, we do not provide any form of assurance on the appropriateness of the response or the effectiveness of the corrective actions described therein.

BACKGROUND

The Help America Vote Act of 2002 (HAVA) created the U.S. Election Assistance Commission (Commission) to assist States and insular areas (hereinafter referred to as States) with improving the administration of federal elections and to provide funds to States to help implement these improvements. The Commission administers payments to States authorized by HAVA under Titles I and II, as follows:

- Title I, Section 101 payments are for activities such as complying with HAVA requirements for uniform and nondiscriminatory election technology and administration requirements (Title III), improving the administration of elections for federal office, educating voters, training election officials and pool workers, and developing a State plan for requirements payments.
- Title I, Section 102 payments are available only for the replacement of punchcard and lever action voting systems.

- Title II, Section 251 requirements payments are for complying with Title III requirements for voting system equipment; and addressing provisional voting, voting information, Statewide voter registration lists, and voters who register by mail.

Title II also requires that states must:

- Have appropriated funds equal to five percent of the total amount to be spent for activities for which requirements payments are made.
- Maintain the expenditures of the State for activities funded by the requirements payment at a level that is not less than the expenditures maintained by the State for the fiscal year ending prior to November 2000.
- Establish an election fund for amounts appropriated by the State for carrying out activities for which requirements payments are made, for the Federal requirements payments received, for other amounts as may be appropriated under law and for interest earned on deposits of the fund.

The Awardee – The District of Columbia Board of Elections and Ethics

The HAVA funds were awarded to the District of Columbia Board of Elections and Ethics. The District of Columbia is a single jurisdiction with only one election authority, the District of Columbia Board of Elections and Ethics. Accountability for elections in the District of Columbia resides with the Board, and there are no local jurisdictions or local election officials. The District of Columbia Board of Elections and Ethics is responsible for ensuring the highest standards of public accountability in the use of HAVA funds, training staff and poll workers on election administration requirements, devising goals and measures by which the Board itself will be judged, and ensuring uniformity of election administration.

Help America Vote Act State of District of Columbia State Plan

The District of Columbia Board of Elections and Ethics HAVA reform efforts began with conducting an operational assessment for HAVA compliance and developing the DC HAVA State Plan. In March of 2003, The District of Columbia Board of Elections and Ethics established the District of Columbia State Planning Committee and charged the committee with producing a roadmap for the future of elections in the District of Columbia. The state plan builds on the recommendations of the Planning Committee.

The objectives of the project funded by HAVA, as set forth in the state plan, were to modernize the existing statewide computerized registration system, improve poll worker recruitment and training, expand voter education, promote barrier-free voting for persons with disabilities, and strengthen the infrastructure of the elections process over the long term.

The Executive Director is the District of Columbia's Chief Election Official (CEO) and has primary responsibility for carrying out the elements of the plan which includes meeting the timelines specified in the plan; monitoring all expenditures and ensuring costs do not exceed

available funds; adhering to the process of amending the plan; and ensuring a process that is accountable and open to public scrutiny.

The Board established and is maintaining an election fund for the exclusive purpose of carrying out activities of HAVA. Additionally, the Board has managed all expenditures funded by HAVA and has not distributed any of the requirements payments to any other units of government.

AUDIT OBJECTIVES

The objectives of our audit were to determine whether the Board:

1. Used payments authorized by Sections 101, 102, and 251 of the Grant in accordance with Grant and applicable requirements;
2. Accurately and properly accounted for property purchased with Grant payments and for program income;
3. Met HAVA requirements for Section 251 funds for creation of an election fund, providing required matching contributions, and meeting the requirements for maintenance of a base level of state outlays, commonly referred to as Maintenance of Expenditures (MOE).

In addition to accounting for Grant payments, the Grant requires states to maintain records that are consistent with sound accounting principles that fully disclose the amount and disposition of the payments, that identify the project costs financed with the payments and other sources, and that will facilitate an effective audit. The Commission requires states receiving Grant funds to comply with certain financial management requirements, specifically:

- Comply with the *Uniform Administrative Requirements for Grants and Cooperative Agreements with State and Local Government*, 41 CFR 105-71, (originally Office of Management and Budget Circular A-102, also known as the “Common Rule”).
- Expend payments in accordance with cost principles set forth in *Cost Principles for State and Local Governments*, 2 CFR 225, (originally Office of Management and Budget Circular A-87) for establishing the allowability or unallowability of certain items of cost for federal participation.
- Follow the requirements of the Federal Cash Management and Improvement Act.
- Submit detailed annual financial reports on the use of Title I and Title II payments.
- Comply with the provisions of *Audits of States, Local Governments and Non-Profit Organizations* (Office of Management and Budget Circular A-133).

SCOPE AND METHODOLOGY

We audited the Grant funds received and disbursed by the Board from April 23, 2003 through September 30, 2013 as shown in the following table:

Description	HAVA Section 101	HAVA Section 102	HAVA Section 251	Total
Funds Received from EAC	\$ 5,000,000	\$ -	\$ 13,021,803	\$ 18,021,803
State Matching Funds	-	-	697,008	697,008
Program Income	600,388	-	1,623,326	2,223,714
Total Funds	\$ 5,600,388	\$ -	\$ 15,342,137	\$ 20,942,525
Less Disbursements	(3,559,802)	-	(12,260,849)	(15,820,651)
Fund Balance	\$ 2,040,586	\$ -	\$ 3,081,288	\$ 5,121,874

AUDIT RESULTS

We conducted this performance audit in accordance with *Generally Accepted Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on the audit objectives.

Based on the audit procedures performed, except for the matters discussed below, we concluded that the Office accounted for and expended the HAVA funds in accordance with the requirements mentioned above for the period from April 23, 2003 through September 30, 2013. The exceptions to applicable compliance requirements are described below.

Finding No. 1 – Single Audit Compliance

The Board did not appropriately categorize HAVA expenditures as Federal grant expenditures.

Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, Subpart C—Auditees, Section .300 states “The auditee shall: (a) Identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal Program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity.”

OMB Circular A-133 Subpart A—General, section, 105 defines Federal awards as Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. Further Subpart B—Audits, Section 200(b) states that Non-Federal entities that expend \$500,000 or more in a year in Federal awards shall have a single audit conducted in accordance with section 500 except when they elect to have a program-specific audit conducted.

The Help America Vote Act of 2002, Title IX – Miscellaneous Provisions, Section 902, (b)(4) states that “With respect to any grant or payment made under this Act by the Administrator of General Services, the Election Assistance Commission shall be deemed to be the office making the grant or payment for purposes of this section.”

The Catalog of Federal Domestic Assistance (CFDA) number 39.011, which is for Section 101 funds, under Post Assistance Requirements indicates that nonfederal entities are subject to OMB Circular A-133 provisions. The same requirement is listed for CFDA number 90.401, which is for Section 251 funds.

The District of Columbia did not include HAVA expenditures related to Section 101 and the 2003 and 2004 Section 251 requirements payments on the Schedule of Expenditures of Federal Awards during the fiscal year ending September 30, 2004 through fiscal year ending September 30, 2012. Therefore, the grant expenditures during those periods were not considered under the provisions of OMB Circular A-133.

The Board viewed the Section 101 and the Section 251 requirements payment for 2003 and 2004 as Federal Payments. Federal Payments are defined as “direct appropriations from the Congress to the District, usually to a particular District agency for a particular purpose.” There was no grant award provided to the Board that would characterize the initial HAVA funds as Federal grant awards.

Recommendation:

We recommend that the EAC require the Board to implement procedures to ensure that all Federal expenditures related to HAVA be included on the SEFA to be considered during the single audit of the District of Columbia.

Board Response:

The BOE does not agree with the audit finding that the District of Columbia did not appropriately categorize HAVA expenditures as federal grant expenditures.

In 2003, the District of Columbia's Board of Elections and Ethics, now known as the Board of elections (BOE) received an initial HAVA payment of \$5,000,000. In 2004, BOE received an additional \$11,640,843.72. Both of these disbursements were directly appropriated from Congress via the General Accounting Office "the GAO" to the District of Columbia. The Office of Financial Resources and Management ("OFRM"), the District Agency that facilitates financial classifications and budget disbursements did not receive a Notice of Grant Award Letter that speaks directly to the classification of the initial payments of HAVA funds. Thus, the OFRM had no indication that these funds were a grant, rather than a payment, and had no reason or evidence to treat the funds as a grant other than this finding.

The Government of the District of Columbia views these disbursements as federal payments. Federal Payments are defined as "direct appropriations from the Congress to the District,

usually to a particular District agency for a particular purpose". These two installments were provided in exactly such a manner, and qualified for this characterization.

In 2011, BOE received an additional \$1,425,000 in HAVA funds. These funds covered FY 08 through FY 10. Unlike the initial payments received in FY 03 and FY 04, the additional \$1,425,000 arrived to BOE with a Notice of Grant Award Letter and a CFDA number that classified the HAVA funds as a grant as opposed to the earlier disbursements. These payments were treated as grants, and reported on the Schedule of Expenditures of Federal Awards (SEFA).

Currently, HAVA funds are classified as both Federal Payment and Federal Grant. The grant portion has not incurred any expenditure as of today's date, thus not requiring the agency to report expenditures into SEFA. As the grant begins to incur expenditures, the OFRM will report them in the SEFA, accordingly.

Auditor's Response:

The Board response provides additional information pertaining to the HAVA awards. However, the information does not modify the original position of the audit. Although the later awards were properly considered as Federal awards, we continue to recommend that the EAC require the Board to implement procedures to ensure that all Federal expenditures related to HAVA be included in the SEFA to be considered during the single audit of the District of Columbia.

Finding No. 2 – Financial Reporting

The Board submitted financial reports for Section 101 and Section 251 funds that could not be supported by underlying accounting records.

The terms and conditions of the HAVA awards require the submission of accurate and complete Federal Forms 269 (Financial Status Report) and 425 (Federal Financial Report) which reflect the uses of award funds and the interest and program income generated from those funds. HAVA Title IX, Section 902. AUDITS AND REPAYMENT OF FUNDS, Part (a) – Recordkeeping Requirement states, "Each recipient of a grant or other payment made under this Act shall keep such records with respect to the payment as are consistent with sound accounting principles, including records which fully disclose the amount and disposition by such recipient of funds, the total cost of the project or undertaking for which such funds are used, and the amount of that portion of the cost of the project or undertaking supplied by other sources, and such other records as will facilitate an effective audit."

The Board submitted financial reports for Section 101 and Section 251 through September 2013. A summary of the expenditure reconciliation of the Section 101 and Section 251 financial reports to the accounting records as of September 30, 2013 is as follows:

	Section 101 Report	Section 251 Report
Federal Share of Expenditures	\$ 5,000,000	\$ 9,949,017
Program Income Expenditures	530,675	-
Recipient Share of Expenditures	-	697,008
Total Expenditures Reported	\$ 5,530,675	\$ 10,646,025
Actual Expenditures Incurred	3,559,802	12,260,849
Expenditures (Under)/Over	<u>\$ 1,970,873</u>	<u>\$ (1,614,824)</u>

The Board was not able to provide a reconciliation to explain the above variances.

Recommendation:

We recommend that the EAC address and resolve the following recommendation that the Board:

- (a) Perform a reconciliation of the grant activity for the Section 101 and Section 251 funds and ensure that all expenditures are fully disclosed.
- (b) Prepare and submit revised financial reports to the EAC for Section 101 and Section 251 activities as of September 30, 2013.

Board Response:

The BOE agrees with the audit finding that a variance exists between the reported expenditures for Section 101 and Section 251 reports. The BOE agrees to perform a reconciliation of the grant activity for Section 101 and 251 funds to ensure that all expenditures are fully disclosed. The BOE will revise and submit 101 and 251 reports to the EAC through September 2013 to resolve this matter.

Since the initial conversation with the auditors, the BOE and the OCFO have improved their internal controls by modifying the process so that the OCFO prepares the financial reports. The BOE's HAVA compliance officer will review and sign off on the reports indicating concurrence with the data as compiled by the OCFO.

The BOE proposes to work with the EAC regarding amendments to previously submitted financial status reports and will submit the reports for reconciliation.

Auditor's Response:

The corrective action plan, pending approval from EAC, is responsive to the concerns.

Finding No. 3– Inadequate Payroll Documentation

The Board did not adequately support all salaries and wages charged to the grant award.

Office of Management and Budget Circulars and Guidance, Cost Principles for State, Local, and Indian Tribal Governments 2 CFR § 225, Appendix B.8.h.(3) states that “Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee.”

Appendix B.8.h.(4), states that “Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5)... Such documentary support will be required where employees work on... (b) A Federal award and a non Federal award”

Appendix B.8.h.(5), states that “Personnel activity reports or equivalent documentation must meet the following standards: (a) They must reflect an after the fact distribution of the actual activity of each employee, (b) They must account for the total activity for which each employee is compensated, (c) They must be prepared at least monthly and must coincide with one or more pay periods, (d) They must be signed by the employee, and (e) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but maybe used for interim accounting purposes.”

The sample selection of 34 payroll transactions found that 24 instances (71%) where the employee did not have an adequate work effort certification for the pay period. Timesheets do not provide for distribution of time between Federal grant activity and district activity. Additionally, it was noted that 22 of the 34 payroll transactions did not evidence hours approved by both the employee and supervisor. This resulted in unsupported payroll costs of \$49,669.

One payroll period was selected from April 2006. The Board could not provide any supporting documentation such as timesheets or payroll register to support the amounts charged to the grant. The District converted to a new payroll system in fiscal year 2007 and any supporting records prior to the conversion have been destroyed. Total payroll costs prior to the fiscal year 2007 were approximately \$293,208 inclusive of fringe benefits.

Recommendation:

We recommend that EAC address and resolve the following recommendations that the Board:

- (a) Transfer into the election fund \$342,877 for the questioned salary charges as cited above.

- (b) Perform and provide additional analysis for all payroll charges allocated to HAVA prior to September 30, 2013 to determine the extent of any unsupported payroll costs.
- (c) Implement written policies and provide training to ensure that employees who expend efforts on Federal activities to accurately record their time in the Office's timekeeping system.

Board Response:

The BOE agrees with the audit finding that the BOE did not maintain the appropriate certification records for staff paid from HAVA funds. The BOE disagrees, however, to the extent that the finding proposes employee payroll funds be returned to the HAVA fund.

The BOE further disagrees with the initial recommendation of the audit report and states that while certifications were not in place, time sheets and entry into the time keeping system was adequate to ensure payments to employees from the HAVA fund were appropriate. Like most other jurisdictions, the BOE was not initially aware of the time certification requirements, but is now fully compliant and has updated processes to ensure that when federal funds are spent on personnel salaries BOE will prepare the required certifications for its personnel files.

Further, the BOE did maintain and operate a time keeping system for all temporary and full-time employees who were paid from HAVA funds. This system included a daily and weekly time sheet followed by entry into the payroll system by a payroll administrator who verified the time with all managers. While certain time sheets may not have been signed as required by the system, at all times individuals who were paid from HAVA were supervised and time was reviewed before payment.

Additionally, the BOE has obtained a notarized affidavit from the Manager of Operations Sylvia Goldsberry-Adams, who had first-hand knowledge of the work that was performed by the temporary and full-time employees. The affidavit provides that employees worked full-time and, in the case of a few employees, part-time on HAVA and identifies the specific responsibilities. The affidavit also indicates that full-time employees working on HAVA were assigned to perform only HAVA related duties and that timesheets were maintained for all employees.

Additionally, the BOE has taken corrective action by implementing a time-keeping policy and system that meets the requirements of the OMB Circular for employees paid from federal funds. The protocol requires that employees record their time on a daily basis, including time spent on HAVA-related work, and that certifications be executed on a timely basis.

The BOE has established additional personnel and policy actions to correct the misunderstanding about the signing of certifications. Future certifications will be completed in a timely fashion.

The BOE urges the EAC to determine that payroll expenditures were accurate, appropriate, and that the payroll reflects actual HAVA related work performed. The EAC should not require the BOE to transfer any part of the total claimed payroll expense.

Should the EAC determine that some, or all, of the payroll should be reimbursed; the BOE proposes to work with the EAC to identify local expenditures conducted in HAVA related categories that would work as an offset to any amount of funds the EAC believes should be returned to the HAVA fund.

Auditor’s Response:

The affidavit and the newly implemented time-keeping policy and system should be considered by EAC in resolving the finding.

Finding No. 4 –Equipment Management

The Board’s equipment management was not adequate in regards to the maintenance of property records.

The *Uniform Administrative Requirements for Grants and Cooperative Agreements with State and Local Governments* 41 CFR § 105-71.132 (d) (The “Common Rule”) section states that, (1) “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 the 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.

The Board does not have documented policies regarding the maintenance of the equipment listing but does follow the requirements of the Office of Contracts and Procurements which provides for inventory management for equipment in excess of \$5,000.

Review of the inventory listing found that the Board does not track disposition data as applicable to federally funded equipment. Additionally, review of the listing found inventory items which were not identified by a serial number or other identification number.

Review of equipment purchases found discrepancies between the inventory listing additions and the items purchased. Seven invoices reviewed had purchases of equipment which were not added to the inventory listing. Other invoices reviewed found that two DRE voting machines, twenty-three AskEd voting software systems and nine ePoll Books were not added to the inventory listing.

Recommendation:

We recommend that EAC address and resolve the following recommendations that the Board:

- (a) Formalize documented policies and procedures regarding inventory management.
- (b) Fully populate the required data in the inventory system for assets purchased with Federal funds and ensure a complete and accurate inventory listing.

Board Response:

The BOE disagrees with the initial audit findings that the BOE lacks written policies and procedures regarding inventory of equipment purchased with HAVA funds. The BOE utilizes the written policies and procedures of the OCFO, which adheres to the OMB Circulars regarding the purchase of equipment using federal funds. As defined by the OMB Common Rule (41 CFR 105-71.132), equipment is a tangible, nonexpendable, personal property with a value of \$5,000 or more per unit and a life of one (1) or more years.

The auditor found that the BOE maintains two (2) inventory systems for items acquired with HAVA funds: the first system is the procurement inventory maintained by the OCFO which tracks all capital expenditures for items valued at \$5,000.00 or more; the second inventory system accounts for all election equipment acquired using HAVA funds, regardless of the cost. The second inventory system tracks items by serial number, property tag number, purchase order acquisition price, fiscal year acquired, and location.

The auditor's finding makes reference to "high risk" items and implies that the BOE does not have a written policy for these types of items. While it is clear that the BOE does indeed tag, scan and track all items within its inventory, the BOE agrees that purchase dates, replacement dates and dates of disposition should also be included in its secondary inventory system. The BOE agrees to implement a written policy for items that do not meet the criteria of a capital asset, and will implement inventory reconciliation for all individual equipment items considered part of the voting system. Per OMB uniform administrative requirements [41CFR105.71.132], the minimum standards for equipment inventory to be updated every two years will include:

- Description of the equipment, identification number, who holds title
- Acquisition date and source of property
- Cost and % federal
- Location
- Use and condition
- Ultimate disposal date and sale or trade-in price
- Safeguards to prevent loss, damage, theft

BOE will report to the EAC when final action on inventory is completed.

Auditor's Response:

The corrective action plan is responsive to the concerns.

Finding No. 5 – Unsupported Costs

Adequate documentation to support allowability was not provided for certain expenditures.

Office of Management and Budget Circulars and Guidance, Cost Principles for State, Local, and Indian Tribal Governments 2 CFR § 225, Appendix A.C.1.j states, “To be allowable under Federal awards, costs must meet the following general criteria: (j) Be adequately documented.”

The *Uniform Administrative Requirements for Grants and Cooperative Agreements with State and Local Governments* 41 CFR § 105-71.120 (b)(7) (The “Common Rule”) section states that, “Accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contracts and subgrant award documents, etc.”

The Board was unable to provide adequate documentation to support 3 of the 65 transactions sampled. For all 3 of the transactions, the Board was unable to provide an invoice .

All 3 transactions were recorded prior to December 31, 2005. The Board indicated that the retention period for documentation is seven years therefore the supporting documents were purged from the system. The Board expended \$269,166 of HAVA funds for these 3 transactions.

Recommendation:

We recommend that the EAC require the Board to transfer to the election fund \$269,166 for the unsupported cost cited above.

Board Response:

The BOE disagrees with the initial audit finding that it was unable to provide documentation to support 18 of 65 transactions from the HAVA fund in its official record repository. Under the District of Columbia Procurement and Acquisition laws, the BOE utilizes both the Office of Contracts and Procurements (“OCP”) and the Office of Fiscal Resources Management (“OFRM”) to procure all goods and services using federal and local dollars. Under this system, both OCP and OFRM are the official repositories for contracts and financial expenditures. Under the acquisition system in the District, the BOE is required to identify vendors and obtain several bids to establish a competitive process for the acquisition of any product or good. Once these bids are obtained, this information is entered into a purchasing system that generates an approval process for multiple objective approvals from both OCP and OFRM. This approval flow includes the scope of work and a description of the item or service to be acquired along with all supporting documentation necessary for the approval process to proceed. Once all necessary supporting documentation is received and the acquisition is approved, a Purchase Order is generated and the service or product is acquired. Once the service is performed or product delivered, an invoice is generated by the vendor. Once the product is accepted, the contracting officer for the agency approves the invoice and it is sent to OFRM for payment. With the exception of certain credit card purchases, every transaction by the BOE follows the above described process.

Prior to 2004, the District of Columbia operated a procurement system known as ADPICs. The ADPICs system tracked every purchase made by the BOE. In 2005, the District of Columbia migrated from the ADPICs system to a procurement system known as PASS. All acquisitions conducted by the BOE post 2004 are processed through the PASS system which is maintained by the District of Columbia Office of Contracts and Procurement ("OCP"). Accordingly, all acquisitions identified in the PASS system, except credit card purchases or intra-district MOUs among District of Columbia agencies were processed via the above described acquisition system.

During the initial phase of the audit, the OCFO provided the auditor with documentation generated from the financial system that identified all expenditures made using HAVA funds. OCP identified several transactions selected by the auditor for review as being beyond the District of Columbia's document retention policy. Additionally, OCP has indicated that these transactions were also conducted using the District's ADPICs system (obsolete) such that records were not available. Although the initial search for the official records yielded no results, the BOE has provided unofficial documentation that supports and describes these expenditures. (See attachment "A" "Response to unsupported documents".) These documents describe and support the questioned expenditures as allowable, allocable and reasonable. As noted above, all transactions were processed through the District procurement process.

The BOE has provided the auditor with a copy of the documentation in support of the transactions. To the extent that the auditor believes the documentation does not resolve this matter, the BOE would propose to work with the EAC to demonstrate that these expenditures were made in accordance with Title I and Title II HAVA categories, in the furtherance of the stated HAVA goals.

Auditor's Response:

We acknowledged above that the Board was able to provide support for 15 of the 18 originally unsupported transactions. The corrective action plan proposed by the Board, in which the EAC evaluates the circumstances of the 3 remaining transactions to make a final determination on allowability, is responsive to our concerns.

Finding No. 6 – Questioned Costs

The Board expended HAVA funds for purposes that are not allowable under the award's terms and conditions or HAVA regulations.

HAVA Section 101(b)(1) states, "A State shall use the funds provided under a payment made under this section to carry out one or more of the following activities: (B) Improving the administration of elections for Federal Office. (C) Educating voters concerning voting procedures, voting rights, and voting technology."

The Board expended \$372,304 of HAVA funds on six voter guide booklets for the upcoming election in years 2004, 2008 and 2010. The booklets were approximately 50 pages each of which the first 15 pages provided voter education consistent with Section 101. The remaining pages

provided candidate background information for the upcoming election and copies of sample ballots for each ward. Therefore, approximately 30% (15/50) of each booklet would be allowable costs in accordance with Section 101. The remaining 70% of costs of approximately \$260,613 results in questioned costs.

Additionally, the Board expended \$50,553 of HAVA funds on a voter's guide for the January 2004 Presidential Primary. The guide was 38 pages of which 14 were found to contain candidate background information for the upcoming election and copies of sample ballots. Therefore, approximately 37% (14/38) of the guide, or \$18,705 results in questioned costs.

The Board expended \$29,702 of HAVA funds on supplies and accessories for the upcoming election. These supplies and accessories included check in signs, safety vests and "I Voted" stickers which did not provide voter education or improve the administration of the election. Therefore, we question the \$29,702 expended for these supplies and accessories.

Recommendation:

We recommend that the EAC require the Board to transfer to the election fund \$309,020 for the questioned cost cited above.

Board Response:

The BOE has reviewed the questioned costs and disagrees with the finding that printing and publication of the Voter Guide ("the Guide") falls outside the scope of voter education. The BOE Guide provides several important levels of education for the residents of the District of Columbia, including information on registration, absentee voting, early voting and Election Day. The Guide also includes candidate information to assist the voters in educating and preparing themselves to appear at the polling place and to ease the voting process.

The BOE has found that a contributing factor to long lines and voter frustration at the polling place is the amount of time an individual spends in the voting booth. An uninformed voter who is unaware of the candidates and measures on the ballot is more likely to spend twice the amount of time in the booth than a voter who is informed about the contests and questions. Voters are able to use the Guide as a voting aid and tool for preselecting candidates. The BOE encourages voters to make selections within the Guide and bring it with them during voting to expedite and simplify their voting experience.

Our observations have shown that informed and prepared voters complete the process efficiently during early voting and on Election Day, thus eliminating one variable of long lines.

The BOE sends the Guide to every household in the District. The Guide is also available at every early voting center and polling place on Election Day. Voters who are standing in line at the polling place or early voting center frequently request to review a voter Guide in preparation for voting.

The Guide does not encourage the selection of any candidate, political party or question on the ballot; nor does the Guide advocate for the BOE, which is an independent District Government Agency that does not have an elected official. The Guide provides information on every candidate, every party and all contests on the ballot without prejudice. The BOE believes the voter Guide is in line with the intent of HAVA Section 295.

Auditor's Response:

We acknowledged above that a portion of each booklet educated voters in the areas defined by the HAVA Act. We have only taken exception to the candidate background information, as it does not educate voters on voting procedures, voting rights or voting technology.

Finding No. 7 – Interest Earned on the Election Fund

The Board could not support that interest was credited accurately on Election Funds in the following areas:

- The base used to calculate interest on matching funds did not include all required amounts.
- The interest calculation on general funds could not be verified.

HAVA Section 254(b)(1) requires that the following monies be deposited into its election fund:

- (a) Amounts appropriated or otherwise made available by the State for carrying out the activities for which the requirements payment is made to the State under this part.
- (b) The requirements payment made to the State under this part.
- (c) Such other amounts as may be appropriated under law.
- (d) Interest earned on deposits of the fund.

The Board has allocated \$11,650 in interest on matching funds to the Election Fund. The supporting calculation provided by the Board disclosed that interest was based on \$77,482 starting in October 2005. This represents the remaining balance of matching contributions at that time. The base used in the interest calculation does not include matching contributions earmarked in April 2004 or reprogrammed in May 2005. It also does not include the amount of matching contributions which were required to be deposited as of the date HAVA Requirement Payments were received.

The accounting records provide \$2,223,714 in interest credited to the Election Fund from April 23, 2003 to September 30, 2013. The interest was not consistently posted to the accounting records. Initially, the supporting documentation for the interest calculation included a schedule of monthly balances. However, the monthly interest rates were not fully populated. The District subsequently provided effective interest rates for fiscal years 2004 through 2013. The recalculation of the interest was reasonable but indicated that interest was not compounded on a regular basis. Further, the interest was not posted on a regular basis, i.e. monthly, quarterly, etc.

Recommendation:

We recommend that the EAC require the Board to resolve the following:

- (a) Calculate the amount of interest lost due to the untimely provision of the matching contributions. This calculation should consider:
 - a. The earlier of the date matching contributions were provided or the date the matching contributions were required. The contributions would be required by the date the Section 251 Requirements Payments were received
 - b. Compound interest through the date of transfer into the Election Fund.
- (b) Perform an analysis that interest credited to the Election Fund is appropriate based on the effective interest rates and balances maintained from the inception of the fund to September 30, 2013.
- (c) Implement procedures to ensure that interest is credited to the fund on a regular basis and is consistent with the investment policies of the District.

Board Response:

The BOE disagrees with the initial audit finding that the District of Columbia did not appropriate the State match balance into an interest-bearing HAVA fund until April 2005. Attached is a memo from the OCFO detailing the procedure by which the District's matching funds were identified. As indicated in the memo, funds were earmarked for expenditure, but not disbursed as the likely expenditure date would fall into the next fiscal year. The BOE asserts that this earmark was in compliance with the matching funds requirement. Further, those earmarked funds earned appropriate interest. Subsequently, the BOE expended its initial calculated local match, which is why the initial match funds were not deposited into the HAVA fund.

The BOE does not dispute that the recalculated amount of matching funds was not deposited into the appropriate account. Further the BOE does not contest the conclusion that the interest earned should have been credited to the HAVA fund on that recalculated match amount. The BOE does, however, object to the corrective action recommended and instead proposes using identified local budget expenditures that were used for HAVA related expenditures to offset any mis-assigned interest.

Auditor's Response:

The acceptability of the timing of the matching contribution is subject to evaluation by the EAC. Similarly, the proposal to allow the use of local budget expenditure is likewise a matter for EAC consideration.

We provided a draft of our report to the appropriate individuals of the District of Columbia Board of Elections and Ethics. We considered any comments received prior to finalizing this report.

The Board responded on March 2, 2015 and generally did not agree with the report's findings and recommendations. The EAC responded on February 26, 2015 and stated they generally agree with the findings in the draft audit report and will work with the Board to ensure appropriate corrective action. The Board's complete response is included as Appendix A-1 and the EAC's complete response as Appendix A-2.

McBride, Lock & Associates, LLC performed the related audit procedures between June 3, 2014 and January 5, 2015.

(Original Signed by McBride, Lock & Associates, LLC)

McBride, Lock & Associates, LLC
January 5, 2015

APPENDIX A-1



DISTRICT OF COLUMBIA
BOARD OF ELECTIONS
WASHINGTON, D.C. 20001-2745



March 2, 2015

Mr. Curtis W. Crider
Inspector General
U.S. Election Assistance Commission
1335 East West Highway – Suite 4300
Silver Spring, MD 20910

Re: District of Columbia Board of Elections Response to HAVA Performance Audit Report

Dear Mr. Crider,

Enclosed please find the District of Columbia Board of Elections' ("the Board") response to the Performance Audit Report of Administration of Payments Received under the Help America Vote Act dated January 2015 ("the Report").

Our response to each of the findings indicates whether the Board agrees or disagrees with the finding and recommendation and provides additional information, which we believe should be considered in resolving each finding. We also describe any steps we have already taken to address those findings that we agree with.

We are available to provide the EAC with any additional information to further address the contents of the Report.

We look forward to speaking with you soon.

Sincerely,

A handwritten signature in blue ink, appearing to read "CDT".

Clifford D. Tatum
Executive Director

Responses to the Performance Audit Report

**Administration of Payments Received Under the
Help America Vote Act**

Submitted to

**The United States Elections Assistance Commission
(EAC)**

By

District of Columbia Board of Elections

Finding # 1 - Single Audit Compliance

The BOE does not agree with the audit finding that the District of Columbia did not appropriately categorize HAVA expenditures as federal grant expenditures.

In 2003, the District of Columbia's Board of Elections and Ethics, now known as the Board of Elections (BOE) received an initial HAVA payment of \$5,000,000. In 2004, BOE received an additional \$11,640,843.72. Both of these disbursements were directly appropriated from Congress via the General Accounting Office "the GAO" to the District of Columbia. The Office of Financial Resources and Management ("OFRM"), the District Agency that facilitates financial classifications and budget disbursements did not receive a Notice of Grant Award Letter that speaks directly to the classification of the initial payments of HAVA funds. Thus, the OFRM had no indication that these funds were a grant, rather than a payment, and had no reason or evidence to treat the funds as a grant other than this finding.

The Government of the District of Columbia views these disbursements as federal payments. Federal Payments are defined as "direct appropriations from the Congress to the District, usually to a particular District agency for a particular purpose". These two installments were provided in exactly such a manner, and qualified for this characterization.

In 2011, BOE received an additional \$1,425,000 in HAVA funds. These funds covered FY 08 through FY 10. Unlike the initial payments received in FY 03 and FY 04, the additional \$1,425,000 arrived to BOE with a Notice of Grant Award Letter and a CFDA number that classified the HAVA funds as a grant as opposed to the earlier disbursements. These payments were treated as grants, and reported on the Schedule of Expenditures of Federal Awards (SEFA).

Currently, HAVA funds are classified as both Federal Payment and Federal Grant. The grant portion has not incurred any expenditure as of today's date, thus not requiring the agency to report expenditures into SEFA. As the grant begins to incur expenditures, the OFRM will report them in the SEFA, accordingly.

Finding# 2 - Financial Reporting

The BOE agrees with the audit finding that a variance exists between the reported expenditures for Section 101 and Section 251 reports. The BOE agrees to perform a reconciliation of the grant activity for Section 101 and 251 funds to ensure that all expenditures are fully disclosed. The BOE will revise and submit 101 and 251 reports to the EAC through September 2013 to resolve this matter.

Since the initial conversation with the auditors, the BOE and the OCFO have improved their internal controls by modifying the process so that the OCFO prepares the financial reports. The BOE's HAVA compliance officer will review and sign off on the reports indicating concurrence with the data as compiled by the OCFO.

The BOE proposes to work with the EAC regarding amendments to previously submitted financial status reports and will submit the reports for reconciliation.

Finding #3 - Inadequate Payroll Documentation:

The BOE agrees with the audit finding that the BOE did not maintain the appropriate certification records for staff paid from HAVA funds. The BOE disagrees, however, to the extent that the finding proposes employee payroll funds be returned to the HAVA fund.

The BOE further disagrees with the initial recommendation of the audit report and states that while certifications were not in place, time sheets and entry into the time keeping system was adequate to ensure payments to employees from the HAVA fund were appropriate. Like most other jurisdictions, the BOE was not initially aware of the time certification requirements, but is now fully compliant and has updated processes to ensure that when federal funds are spent on personnel salaries BOE will prepare the required certifications for its personnel files.

Further, the BOE did maintain and operate a time keeping system for all temporary and full-time employees who were paid from HAVA funds. This system included a daily and weekly time sheet followed by entry into the payroll system by a payroll administrator who verified the time with all managers. While certain time sheets may not have been signed as required by the system, at all times individuals who were paid from HAVA were supervised and time was reviewed before payment.

Additionally, the BOE has obtained a notarized affidavit from the Manager of Operations Sylvia Goldsberry-Adams, who had first-hand knowledge of the work that was performed by the temporary and full-time employees. The affidavit provides that employees worked full-time and, in the case of a few employees, part-time on HAVA and identifies the specific responsibilities. The affidavit also indicates that full-time employees working on HAVA were assigned to perform only HAVA related duties and that timesheets were maintained for all employees.

Additionally, the BOE has taken corrective action by implementing a time-keeping policy and system that meets the requirements of the OMB Circular for employees paid from federal funds. The protocol requires that employees record their time on a daily basis, including time spent on HAVA-related work, and that certifications be executed on a timely basis.

The BOE has established additional personnel and policy actions to correct the misunderstanding about the signing of certifications. Future certifications will be completed in a timely fashion.

The BOE urges the EAC to determine that payroll expenditures were accurate, appropriate, and that the payroll reflects actual HAVA related work performed. The EAC should not require the BOE to transfer any part of the total claimed payroll expense. Should the EAC determine that some, or all, of the payroll should be reimbursed; the BOE proposes to work with the EAC to identify local expenditures conducted in HAVA related categories that would work as an offset to any amount of funds the EAC believes should be returned to the HAVA fund.

Finding #4 - Inadequate Equipment Management

The BOE disagrees with the initial audit findings that the BOE lacks written policies and procedures regarding inventory of equipment purchased with HAVA funds. THE BOE utilizes the written policies and procedures of the OCFO, which adheres to the OMB Circulars regarding the purchase of equipment using federal funds. As defined by the OMB Common Rule (41 CFR 105-71.132), equipment is a tangible, nonexpendable, personal property with a value of \$5,000 or more per unit and a life of one (1) or more years.

The auditor found that the BOE maintains two (2) inventory systems for items acquired with HAVA funds: the first system is the procurement inventory maintained by the OCFO which tracks all capital expenditures for items valued at \$5,000.00 or more; the second inventory system accounts for all election equipment acquired using HAVA funds, regardless of the cost. The second inventory system tracks items by serial number, property tag number, purchase order acquisition price, fiscal year acquired, and location. The auditor's finding makes reference to "high risk" items and implies that the BOE does not have a written policy for these types of items. While it is clear that the BOE does indeed tag, scan and track all items within its inventory, the BOE agrees that purchase dates, replacement dates and dates of disposition should also be included in its secondary inventory system. The BOE agrees to implement a written policy for items that do not meet the criteria of a capital asset, and will implement inventory reconciliation for all individual equipment items considered part of the voting system. Per OMB uniform administrative requirements [41 CFR 105.71.132], the minimum standards for equipment inventory to be updated every two years will include:

- Description of the equipment, identification number, who holds title
- Acquisition date and source of property
- Cost and % federal
- Location
- Use and condition
- Ultimate disposal date and sale or trade-in price
- Safeguards to prevent loss, damage, theft

BOE will report to the EAC when final action on inventory is completed.

Finding #5 - Unsupported Costs disbursements

The BOE disagrees with the initial audit finding that it was unable to provide documentation to support 18 of 65 transactions from the HAVA fund in its official record repository. Under the District of Columbia Procurement and Acquisition laws, the BOE utilizes both the Office of Contracts and Procurements ("OCP") and the Office of Fiscal Resources Management ("OFRM") to procure all goods and services using federal and local dollars. Under this system, both OCP and OFRM are the official repositories for contracts and financial expenditures. Under the acquisition system in the District, the BOE is required to identify vendors and obtain several bids to establish a competitive process for the acquisition of any product or good. Once these bids are obtained, this information is entered into a purchasing system that generates an approval process for multiple objective approvals from both OCP and OFRM. This approval flow includes the

scope of work and a description of the item or service to be acquired along with all supporting documentation necessary for the approval process to proceed. Once all necessary supporting documentation is received and the acquisition is approved, a Purchase Order is generated and the service or product is acquired. Once the service is performed or product delivered, an invoice is generated by the vendor. Once the product is accepted, the contracting officer for the agency approves the invoice and it is sent to OFRM for payment. With the exception of certain credit card purchases, every transaction by the BOE follows the above described process.

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During the initial phase of the audit, the OCFO provided the auditor with documentation generated from the financial system that identified all expenditures made using HAVA funds. OCP identified several transactions selected by the auditor for review as being beyond the District of Columbia's document retention policy. Additionally, OCP has indicated that these transactions were also conducted using the District's ADPICS system (obsolete) such that records were not available. Although the initial search for the official records yielded no results, the BOE has provided unofficial documentation that supports and describes these expenditures. (See attachment "A" "Response to unsupported documents".) These documents describe and support the questioned expenditures as allowable, allocable and reasonable. As noted above, all transactions were processed through the District procurement process.

The BOE has provided the auditor with a copy of the documentation in support of the transactions. To the extent that the auditor believes the documentation does not resolve this matter, the BOE would propose to work with the EAC to demonstrate that these expenditures were made in accordance with Title I and Title II HAVA categories, in the furtherance of the stated HAVA goals.

Finding #6 - Questioned Costs

The BOE has reviewed the questioned costs and disagrees with the finding that printing and publication of the Voter Guide ("the Guide") falls outside the scope of voter education. The BOE Guide provides several important levels of education for the residents of the District of Columbia, including information on registration, absentee voting, early voting and Election Day. The Guide also includes candidate information to assist the voters in educating and preparing themselves to appear at the polling place and to ease the voting process.

The BOE has found that a contributing factor to long lines and voter frustration at the polling place is the amount of time an individual spends in the voting booth. An uninformed voter who is unaware of the candidates and measures on the ballot is more likely to spend twice the amount of time in the booth than a voter who is informed about

the contests and questions. Voters are able to use the Guide as a voting aid and tool for preselecting candidates. The BOE encourages voters to make selections within the Guide and bring it with them during voting to expedite and simplify their voting experience. Our observations have shown that informed and prepared voters complete the process efficiently during early voting and on Election Day, thus eliminating one variable of long lines.

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The Guide does not encourage the selection of any candidate, political party or question on the ballot; nor does the Guide advocate for the BOE, which is an independent District Government Agency that does not have an elected official. The Guide provides information on every candidate, every party and all contests on the ballot without prejudice. The BOE believes the voter Guide is in line with the intent of HAVA Section 295.

Finding #7 - Interest Earned on the Election Fund

The BOE disagrees with the initial audit finding that the District of Columbia did not appropriate the State match balance into an interest-bearing HAVA fund until April 2005. Attached is a memo from the OCFO detailing the procedure by which the District's matching funds were identified. As indicated in the memo, funds were earmarked for expenditure, but not disbursed as the likely expenditure date would fall into the next fiscal year. The BOE asserts that this earmark was in compliance with the matching funds requirement. Further, those earmarked funds earned appropriate interest. Subsequently, the BOE expended its initial calculated local match, which is why the initial match funds were not deposited into the HAVA fund.

The BOE does not dispute that the recalculated amount of matching funds was not deposited into the appropriate account. Further the BOE does not contest the conclusion that the interest earned should have been credited to the HAVA fund on that recalculated match amount. The BOE does, however, object to the corrective action recommended and instead proposes using identified local budget expenditures that were used for HAVA related expenditures to offset any mis-assigned interest.

APPENDIX A-2



EAC RESPONSE TO THE DRAFT AUDIT:

OIG Performance Audit Report on the Administration of Payments Received Under the Help America Vote Act by the District of Columbia Board of Elections and Ethics for the Period April 23, 2003 through September 30, 2013.

February 26, 2015

MEMORANDUM

To: Curtis Crider
Inspector General

From: Annette Lafferty *Annette Lafferty*
Chief Financial Officer

Subject: Draft Performance Audit Report – “Administration of Payments Received under the Help America Vote Act by the District of Columbia board of Elections and Ethics”

Thank you for this opportunity to review and respond to the draft audit report for the District of Columbia Board of Elections and Ethics (Board).

The Election Assistance Commission (EAC) generally agrees with the findings in the draft audit report and will work with the Board to ensure appropriate corrective action.

APPENDIX B

AUDIT METHODOLOGY

Our audit methodology included:

- Assessing audit risk and significance within the context of the audit objectives.
- Obtaining an understanding of internal control that is significant to the administration of the HAVA funds and of relevant information systems controls as applicable.
- Identifying sources of evidence and the amount and type of evidence required.
- Determining whether other auditors have conducted, or are conducting, audits of the program that could be relevant to the audit objectives.

To implement our audit methodology, below are some of the audit procedures we performed.

- Interviewed appropriate Board employees about the organization and operations of the HAVA program.
- Reviewed prior single audit reports and other reviews related to the State's financial management systems and the HAVA program for the period under review.
- Reviewed policies, procedures and regulations for the Board management and accounting systems as they relate to the administration of the HAVA program.
- Analyzed the inventory lists of equipment purchased with HAVA funds.
- Tested major purchases and the supporting documentation.
- Tested randomly sampled payments made with HAVA funds.
- Evaluated compliance with the requirements for accumulating financial information reported to the Commission on the financial status reports and progress reports, accounting for property, purchasing HAVA related goods and services, and accounting for salaries.
- Verified the establishment and maintenance of an election fund.
- Verified the State expenditures met the Maintenance of Expenditures requirement
- Conducted site visits to observe physical security/safeguard of equipment purchased with HAVA funds and ensure compliance with federal regulation.
- Verified that the matching requirement was timely met and matching expenditures met the prescribed criteria and allowability requirements of HAVA.
- Verified program income was properly accounted for and not remitted to the State's general fund.

APPENDIX C

MONETARY IMPACT AS OF SEPTEMBER 30, 2013

Description	Questioned Costs	Additional Funds for Program
Unsupported Payroll Costs	\$ 342,877	\$ -
Unsupported Costs	269,166	-
Unallowable Costs	309,020	-
Total	\$ 921,063	\$ -

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Office of Inspector General
1335 East West Highway – Suite 4300
Silver Spring, MD 20910

E-mail: eacoig@eac.gov

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

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FAX: (301)-734-3115

