



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

**FINAL REPORT:**

**ADMINISTRATION OF PAYMENTS  
RECEIVED UNDER THE HELP AMERICA  
VOTE ACT BY THE OKLAHOMA STATE  
ELECTION BOARD**

**MAY 1, 2003 THROUGH SEPTEMBER 30, 2013**

**Report No.  
E-HP-OK-02-14  
February 2015**



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

Memorandum

February 2, 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 Oklahoma State Election Board (Assignment Number E-HP-OK-02-14)

We contracted with the independent certified public accounting firm of McBride, Lock & Associates to audit the administration of payments received under the Help America Vote Act (HAVA) by the Oklahoma State Election Board (Board).

In its audit, McBride, Lock & Associates concluded that the Board generally accounted for and expended the HAVA funds in accordance with applicable requirements for the period from May 1, 2003 through September 30, 2013. However the following exceptions were identified:

1. The Board did not have established policies and procedures addressing financial management activities including equipment management, Federal financial reporting and Federal grant oversight and administration.
2. The Board's equipment management was inadequate in regards to the maintenance of property records and the performance of a physical observation of inventory.
3. The Board untimely credited interest earnings on the Election Fund.
4. The State of Oklahoma temporarily borrowed HAVA funds for other activities.
5. The Board did not exceed the maintenance of expenditure during fiscal year 2010.

In the report, McBride, Lock & Associates summarized the Board's response to the recommendations, as well as their comments on the responses after the recommendations. The Board generally agreed with the findings and recommendations. The EAC indicated that it would work with the Board to resolve the issues in the report. The Board's complete response is included as Appendix A-1 and the EAC's complete response is included 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 April 2, 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' 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 to ensure compliance with Government Auditing Standards; and
- Coordinated issuance of the audit report.

McBride, Lock & Associates 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' 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 Oklahoma State Election Board**

Prepared for

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

By

**McBride, Lock & Associates, LLC**

October 2014

**McBRIDE, LOCK & ASSOCIATES, LLC**

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CERTIFIED PUBLIC ACCOUNTANTS  
KANSAS CITY

**Performance Audit Report  
Administration of Payments Received Under the Help America Vote Act by  
the Oklahoma State Election Board**

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**U.S. Election Assistance Commission  
Performance Audit Report  
Administration of Payments Received Under the Help America Vote Act by  
the Oklahoma State Election Board**

**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 Oklahoma State Election Board (Board) from inception in May 1, 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 May 1, 2003 through September 30, 2013. The exceptions are as follows:

1. The Board does not have established policies and procedures addressing financial management activities including equipment management, Federal financial reporting and Federal grant oversight and administration.
2. The Board's equipment management is inadequate in regards to the maintenance of property records and the performance of a physical observation of inventory.
3. The Board untimely credited interest earnings on the Election Fund.
4. The State of Oklahoma temporarily borrowed HAVA funds for other activities.
5. The Board did not exceed the maintenance of expenditure during fiscal year 2010.

We have included in this report as Appendix A, the State Election Board'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 poll 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 Oklahoma State Election Board**

Established under the Constitution of the State of Oklahoma in 1907, the Oklahoma State Election Board is the administrative agency for the conduct of state elections and the oversight of the state's 77 county election boards. The Secretary of the State Election Board has used the rulemaking authority granted by the statute to create and implement uniform procedures governing every aspect of the operations. Beginning with the first publication of the Secretary's Digest (a compendium of the administrative rules, illustrations and other material) in 1975, and continuing to this day, the Oklahoma State Election Board provides the County Election Boards both with a consistent interpretation of the election laws and with instructions and procedures necessary to implement those laws on a daily basis.

### **Help America Vote Act State of Oklahoma State Plan**

The State Election Board Secretary formed two committees to assist the State Election Board staff with the preparation of the state plan and with development of procedures for the provisional voting and voter identification requirements of HAVA.

In Oklahoma these funds were primarily to be used to coordinate state agency databases for voter registration, replace the election management system, and purchase HAVA compliant voting machines at the local precincts.

The State Election 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 the local 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 May 1, 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	\$ -	\$ 30,200,723	\$ 35,200,723
State Matching Funds	-	-	1,633,741	1,633,741
Program Income	340,177	-	3,439,956	3,780,133
Total Funds	\$ 5,340,177	\$ -	\$ 35,274,420	\$ 40,614,597
Less Disbursements	(4,903,734)	-	(24,667,870)	(29,571,604)
Fund Balance	\$ 436,443	\$ -	\$ 10,606,550	\$ 11,042,993

## **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 Board accounted for and expended the HAVA funds in accordance with the requirements mentioned above for the period from May 1, 2003 through September 30, 2013. The exceptions to applicable compliance requirements are described below.

### **Finding No. 1 – Documentation of Policies and Procedures**

Key internal control policies affecting financial management activities including, equipment management, Federal financial reporting and Federal grant oversight and administration, have not been addressed in policy and procedure documentation. The Board relies heavily on written documentation set forth in State manuals, and electronic controls implemented in the accounting system. Due to the few personnel involved in award administration, accounting and financial reporting, policies and procedures have developed informally over the years.

Federal regulations, specifically 41 CFR § 105-71.120 – *Standards for Financial Management Systems* require that:

- (a) A State must expand and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds, and
- (b) Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets.

The Statewide Accounting Manual Chapter 70: Internal Control Guidance provides minimum requirements for internal controls at the agency they are as follows:

- All functional areas of an agency must have written documentation of its policies and procedures.
- A person responsible to perform the duties of the Internal Control Officer (ICO), who reports directly to the agency head, should be designated by the agency head as responsible for the agency's internal controls. If the ICO does not report directly to the agency head then the "independence" of the ICO should be tested and validated. Some smaller agencies may wish to work with the Office of Management and Enterprise Services and/or the Office of the State Auditor and Inspector for these services.
- These duties cannot be performed by the internal auditor of the agency.
- Internal controls should be reviewed and updated on an annual basis at a minimum. Agencies must review changes to operations and incorporate these changes into a revised plan.
- Any unaccounted for variances, losses, shortages, or thefts of cash or property must be reported to the agency head and the Office of the State Auditor and Inspector.
- All agencies should develop a written internal control plan.

A key aspect of maintaining an effective system of internal controls is the documentation of related policies and procedures to ensure these criteria are current, approved, communicated, incorporated into training materials, and updated when appropriate.

The lack of documented internal control policies and procedures may result in a lack of awareness, consistency in application, and compliance of regulations, which could allow for noncompliance with grant terms and conditions to occur and not be detected.

### **Recommendation**

We recommend that the EAC require the Board to complete and document internal control procedures and other appropriate policies in written manuals and also provide training to personnel involved in the administration of Federal awards. Specifically, these policies and procedures should address financial management activities including equipment management, Federal financial reporting and Federal grant oversight and administration. Additionally, these procedures should be reviewed and updated on a regular basis.

### **State Election Board Response:**

State Election Board management acknowledges that written documentation of policies and internal controls and provision of training are important to ensure continuing compliance with all requirements of the administration of Federal awards. Agency management will work with the finance department staff to develop written procedures and training for financial management, equipment management, Federal financial reporting, and Federal grant oversight and administration. We also plan to consult with the Office of the State Auditor and Inspector or the Office of Management and Enterprise Services about the

possibility of contracting with one of those agencies for the services of an Internal Control Officer.

**Auditor’s Response:**

We agree that the Board should work with finance department staff and consult with the Office of the State Auditor and Inspector or the Office of Management and Enterprise Services to develop written procedures and training for financial management, equipment management, federal financial report, and federal grant oversight and administration.

**Finding No. 2 – Inadequate Equipment Management**

The Board’s equipment management is inadequate in regards to the maintenance of property records and the performance of a physical observation of inventory.

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 and (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.”

The administrative rules Section 580: 70-3-1(c) also provides necessary data inputs for the inventory report that is similar to the Federal guidelines above. These reports are to be signed by the agency inventory control officer.

The inventory listing as provided did not include the source of property, title holder, acquisition date, cost of property and percentage of federal participation. Additionally, the conduct of a physical inventory was not fully documented. It was also noted that policies and procedures were not formalized to indicate what data is necessary for population of the inventory system and how the physical inventory would be conducted and documented.

The Board has not fully developed documented policies and procedures regarding inventory maintenance and has begun implementing a new inventory management software package. The Board believes that policies will be formalized and the software fully integrated by the end of calendar year 2014.

**Recommendation:**

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

- (a) Formalize documented policies and procedures regarding inventory management and the conduct of a physical inventory.

- (b) Fully populate the required data in the inventory system for assets purchased with Federal funds.
- (c) Document the conduct of a physical inventory on a biennial basis.

**State Election Board Response:**

State Election Board management acknowledges that complete equipment records must be maintained and that a physical inventory must be completed at least biennially. With the purchase of an inventory management system in 2014, we have now recorded the required data for all assets purchased with Federal funds. We will develop written policies for inventory management and conduct of a physical inventory. We plan to incorporate the physical inventory into the preventive maintenance process and the work of the Regional Coordinators, county election officials who also work on a contract basis for the State Election Board and whose work includes visiting other County Election Board offices.

**Auditor's Response:**

We agree that developing written policies for inventory management and conducting a physical inventory will address the concerns in equipment management.

**Finding No. 3 – Interest Earned on the Election Fund**

The Board untimely credited interest earning on the Elections Fund.

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 did not have interest credited to the Election Fund until June 30, 2008. After June 2008 interest was only credited to the Federal monies within the fund. Therefore, the matching appropriations made available by the state were never credited interest. The funds within in the accounting system for the Federal funds were designated as interest bearing in June 2008. The matching funds were maintained in the general fund of the Board and therefore did not earn interest.

Prior to June 30, 2008 the Board received \$5 million in May 2003 of Section 101 funds and approximately \$27.6 million in February 2005 of Section 251 funds. Therefore, there are

approximately five years of interest earned that have not been credited to the fund for the Federal grant receipts.

The Board has received \$30,200,723 in Section 251 funds as of September 30, 2013, which resulted in a matching requirement of \$1,589,511. The Board has met the matching requirement. However, the matching funds were made available in the general funds of the Board which were not credited interest during the period of review.

The initial matching contribution of \$2 million was made during fiscal year 2004 but it had lapsed in February 2006 since there were no expenditures made to the appropriation. Two months later in April 2006 the state provided a \$1.5 million appropriation to satisfy the matching requirement of \$1,455,770 for the 2003 and 2004 Requirements Payment.

The Board prepared an analysis of interest earnings for the fund from the initial deposit of Section 101 funds on May 1, 2003 through June 30, 2008. The analysis was based on an annual compound interest rate of four percent and did include the initial matching appropriation provided by the state. This calculation does not consider changes in interest rates from 2003 to 2008 and a monthly compound factor which is the method used currently by the state. The calculation approximated \$4.9 million and has been a budget request by the Board on an annual basis beginning in fiscal year 2009.

**Recommendation:**

We recommend that the EAC require the Board to calculate the amount of interest lost due the untimely crediting of interest earnings and deposit the required money into the Election Fund.

This calculation should consider the following:

- (a) The period from the inception of the HAVA grant funds through June 2008.
- (b) 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.
- (c) Monthly compounding and effective interest rates during the period consistent with state interest calculations.
- (d) Compound interest through the date of transfer into the Election Fund.

**State Election Board Response:**

State Election Board management acknowledges that interest on Federal funds was not deposited in the Election Fund by the Office of the State Treasurer prior to June 30, 2008 and that no interest on state matching funds has been deposited in the Fund. The agency's annual budget request to the Legislature has included an item requesting that the missing interest be

replaced each year since FY 2009. We recognize that the calculation of interest does not include changes in interest rates since the receipt of the funds or monthly compounding. We will work with the Office of the State Treasurer to determine a more accurate calculation of the amount of interest, and we will work with the Election Assistance Commission to seek a means of replacing the required interest.

**Auditor’s Response:**

The response when enacted, will be effective to resolve the concern..

**Finding No. 4 – Short-term Borrowing**

The State of Oklahoma temporarily borrowed HAVA funds for other activities.

The *Uniform Administrative Requirements for Grants and Cooperative Agreements with State and Local Governments* 41 CFR § 105-71.122 (a) (The “Common Rule”) section states that, “Grant funds may be used only for: (1) The allowable costs of the grantees, subgrantees and cost-type contractors...”

The State of Oklahoma withdrew approximately \$10 million from the Election Fund in December 2009 without consultation with the Board. The Board indicated the state was experiencing budget shortfalls during this time period and the Office of State Finance transferred funds to temporarily fund the shortfalls in other departments. It was noted that the funds were replenished in March 2010. In addition, approximately \$65 thousand, representing the lost interest that would have been earned during the three months, was transferred from other state funds. The interest rate earned during that time period was approximately three percent.

**Recommendation**

We recommend that the Board work with the Office of State Finance to ensure that monies are not withdrawn from the Election Fund without consent of the Board.

**State Election Board Response:**

State Election Board management acknowledges that the short-term borrowing of \$10 million from the Election Fund in December 2009 was not an allowable use of the funds. This was done by the Office of State Finance, not the management of the State Election Board. We agree to work with the Office of Management and Enterprise Services (formerly the Office of State Finance) to ensure that funds are not withdrawn from the Election Fund for other purposes.

**Auditor’s Response:**

The corrective action plan is responsive to the concerns.

## **Finding No. 5 – Maintenance of Expenditure**

The Board did not exceed the maintenance of expenditure during fiscal year 2010.

HAVA Section 254(a)(7) requires the State Plan to describe “How the State, in using the requirements payment, will maintain the expenditures of the State for activities funded by the payment at a level that is not less than the level of such expenditures maintained by the State for the fiscal year ending prior to November 2000.”

The State Plan indicated that the State of Oklahoma will continue to fund the election system at or above the level required by HAVA. The Board established the maintenance of expenditure as \$6,059,525. This amount represents the entire budget of the Board during fiscal year 2000. The maintenance of expenditure includes administration and data processing under the previous election system; election management including cost of poll workers, ballots and supplies; voter outreach and voter registration.

The maintenance of expenditure baseline was exceeded every year from fiscal year 2003 to fiscal year 2013 with the exception of fiscal year 2010. The state only expended \$5,970,000 during fiscal year 2010 due to revenue shortfalls this resulted in \$89,525 less than the required level of expenditure of state funds.

### **Recommendation:**

We recommend the EAC require the Board to evaluate the baseline established for the maintenance of expenditure to ensure that those expenditures included in the baseline are consistent with the maintenance of expenditure policy established by the EAC in June 2010. Additionally, procedures should be implemented to ensure that the maintenance of expenditure baseline is exceeded each year.

### **State Election Board Response:**

State Election Board management acknowledges that the base used for the maintenance of expenditure is the entire budget of the agency for FY 2000 and that expenditures did not exceed that base in FY 2010 because of revenue shortfalls. Because almost ten years had elapsed when the EAC issued its policy on maintenance of expenditure in June 2010, most of the detailed expenditure records for FY 2000 were no longer available. These records had been audited and disposed of in accordance with state law and policies. Management agrees to work with the EAC to evaluate the base for the maintenance of expenditure in light of the 2010 policy and to ensure that the base is exceeded each year.

### **Auditor’s Response:**

The stated action is responsive to the concerns.

We provided a draft of our report to the appropriate individuals of the Oklahoma State Election Board. We considered any comments received prior to finalizing this report.



The Board responded on December 15, 2014 and generally agreed with the report's findings and recommendations. The EAC responded on December 16, 2014 and stated they 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 11, 2014 and October 27, 2014.

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

McBride, Lock & Associates, LLC  
October 27, 2014

## **Appendix A-1**



## STATE ELECTION BOARD

ROOM B-6 BOX 53156 STATE CAPITOL OKLAHOMA CITY, OK 73152 (405)521-2391

December 15, 2014

Mr. Curtis Crider, Inspector General  
United States Election Commission  
Office of Inspector General  
1335 East West Highway, Suite 4300  
Silver Spring, MD 20910

Dear Mr. Crider:

I have reviewed the draft report entitled "Performance Audit Report – Administration of Payments Received under the Help America Vote by the Oklahoma State Election Board." Please find below the response of agency management to each of the findings.

### **Finding No. 1 – Documentation of Policies and Procedures**

State Election Board management acknowledges that written documentation of policies and internal controls and provision of training are important to ensure continuing compliance with all requirements of the administration of Federal awards. Agency management will work with the finance department staff to develop written procedures and training for financial management, equipment management, Federal financial reporting, and Federal grant oversight and administration. We also plan to consult with the Office of the State Auditor and Inspector or the Office of Management and Enterprise Services about the possibility of contracting with one of those agencies for the services of an Internal Control Officer.

### **Finding No. 2 – Inadequate Equipment Management**

State Election Board management acknowledges that complete equipment records must be maintained and that a physical inventory must be completed at least biennially. With the purchase of an inventory management system in 2014, we have now recorded the required data for all assets purchased with Federal funds. We will develop written policies for inventory management and conduct of a physical inventory. We plan to incorporate the physical inventory into the preventive maintenance process and the work of the Regional Coordinators, county election officials who also work on a contract basis for the State Election Board and whose work includes visiting other County Election Board offices.

Mr. Crider  
December 15, 2014  
Page Two

**Finding No. 3 – Interest Earned on the Election Fund**

State Election Board management acknowledges that interest on Federal funds was not deposited in the Election Fund by the Office of the State Treasurer prior to June 30, 2008 and that no interest on state matching funds has been deposited in the Fund. The agency's annual budget request to the Legislature has included an item requesting that the missing interest be replaced each year since FY 2009. We recognize that the calculation of interest does not include changes in interest rates since the receipt of the funds or monthly compounding. We will work with the Office of the State Treasurer to determine a more accurate calculation of the amount of interest, and we will work with the Election Assistance Commission to seek a means of replacing the required interest.

**Finding No. 4 – Short-term Borrowing**

State Election Board management acknowledges that the short-term borrowing of \$10 million from the Election Fund in December 2009 was not an allowable use of the funds. This was done by the Office of State Finance, not the management of the State Election Board. We agree to work with the Office of Management and Enterprise Services (formerly the Office of State Finance) to ensure that funds are not withdrawn from the Election Fund for other purposes.

**Finding No. 5 – Maintenance of Expenditure**

State Election Board management acknowledges that the base used for the maintenance of expenditure is the entire budget of the agency for FY 2000 and that expenditures did not exceed that base in FY 2010 because of revenue shortfalls. Because almost ten years had elapsed when the EAC issued its policy on maintenance of expenditure in June 2010, most of the detailed expenditure records for FY 2000 were no longer available. These records had been audited and disposed of in accordance with state law and policies. Management agrees to work with the EAC to evaluate the base for the maintenance of expenditure in light of the 2010 policy and to ensure that the base is exceeded each year.

Thank you for the opportunity to respond to this draft report. It is my intent and the intent of all staff of the State Election Board to cooperate fully with the Election Assistance Commission in addressing each of the issues discussed above. Please do not hesitate to contact me if you need additional information.

Sincerely,



PAUL ZIRIAX, Secretary  
State Election Board

## **Appendix A-2**



## **EAC RESPONSE TO THE DRAFT AUDIT:**

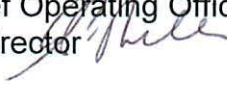
*OIG Performance Audit Report on the Administration of Payments Received Under the Help America Vote Act by the Oklahoma State Election Board for the Period May 1, 2003 through September 30, 2013.*

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December 16, 2014

### MEMORANDUM

To: Curtis Crider  
Inspector General

From: Alice P. Miller, Chief Operating Officer &  
Acting Executive Director 

Subject: Draft Performance Audit Report – “Administration of Payments Received Under the Help America Vote Act by the Oklahoma State Election Board”

Thank you for this opportunity to review and respond to the draft audit report for the Oklahoma State Election Board (Board).

The Election Assistance Commission (EAC) 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's 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 of selected counties 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**

<u>Description</u>	<u>Questioned Costs</u>	<u>Additional Funds for Program</u>
Lost Interest Earnings	<u>\$ -</u>	<u>\$ 4,939,000</u>

Note: The lost interest earnings calculation was determined by the Board and should be recalculated in accordance with the recommendation identified in Finding No. 3.

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## OIG's Mission

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

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

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