



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

**FINAL REPORT:**

**ADMINISTRATION OF PAYMENTS  
RECEIVED UNDER THE HELP AMERICA  
VOTE ACT BY THE MASSACHUSETTS  
SECRETARY OF THE COMMONWEALTH**

**MAY 2003 THROUGH SEPTEMBER 30, 2012**

**Report No.  
E-HP-MA-06-12  
November 2013**



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

Memorandum

November 21, 2013

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 Massachusetts Secretary of the Commonwealth (Assignment Number E-HP-MA-06-12)

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 Secretary of the Commonwealth of Massachusetts' Office (Office).

In its audit, McBride, Lock & Associates concluded that the Office generally accounted for and expended the HAVA funds in accordance with applicable requirements for the period from May 2003 through September 30, 2012. However the following exceptions were identified:

- The Office submitted financial reports that could not be supported by underlying accounting records.
- The Office did not timely credit interest earnings to the Elections Fund.
- The Office property records were not adequate per 41 CFR 105-71.132.
- The Office did not deposit into the election fund the required state match for all Section 251 requirements payments.
- The Office expended HAVA funds for purposes that are not allowable under the award's terms and conditions or HAVA regulations.

In its August 29, 2013 response to the draft report (Attachment A-1), the Office provided comments to the findings and corrective actions, as applicable, to address the recommendations. The Office did not agree with the finding relating to the questioned costs of \$ 195,873 for the creation and distribution of Public Service Announcements and for the printing of mail-in voter registration cards.

In the report McBride, Lock & Associates summarized the Office's response to the recommendations, as well as their comments on the responses after the recommendations. Also

included in the report is the EAC response to the draft report (Appendix A-2), dated August 12, 2013, which indicated that the EAC would work with the SOS to ensure corrective action.

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 January 21, 2014. 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 Massachusetts Secretary of the Commonwealth**

Prepared for

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

By

**McBride, Lock & Associates**

July 2013

**McBRIDE, LOCK & ASSOCIATES**

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CERTIFIED PUBLIC ACCOUNTANTS  
KANSAS CITY

**Performance Audit Report  
Administration of Payments Received Under the Help America Vote Act by  
the Massachusetts Secretary of the Commonwealth**

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**U.S. Election Assistance Commission  
Performance Audit Report  
Administration of Payments Received Under the Help America Vote Act by  
the Massachusetts Secretary of the Commonwealth**

**EXECUTIVE SUMMARY**

McBride, Lock & Associates was engaged by the United States Election Assistance Commission (EAC) Office of the Inspector General to conduct a performance audit of the Secretary of the Commonwealth of Massachusetts' Office (Office) from inception on May 2, 2003 through September 30, 2012 to determine whether the Office used payments authorized by Sections 101, 102, and 251 of the Help America Vote Act of 2002 (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 Office generally accounted for and expended the Grant funds in accordance with the

requirements mentioned above for the period from May 2, 2003 through September 30, 2012. The exceptions are as follows:

1. The Office submitted financial reports that could not be supported by underlying accounting records.
2. The Office did not timely credit interest earnings to the Elections Fund.
3. The Office property records are not adequate per 41 CFR 105-71.132.
4. The Office did not deposit into the election fund the required state match for all Section 251 requirements payments.
5. The Office expended HAVA funds for purposes that are not allowable under the award's terms and conditions or HAVA regulations.

We have included in this report as Appendix A, the Secretary of the Commonwealth'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 Secretary of the Commonwealth of Massachusetts**

The HAVA funds were awarded to the Secretary of the Commonwealth of Massachusetts, who is the Chief Election Officer and is charged with the administration of federal and state elections, receiving nomination papers, printing ballots and tabulating election returns for federal and state elections as well as certification of voting equipment. Federal and state elections are conducted at the municipal level.

### **Help America Vote Act Commonwealth of Massachusetts State Plan**

The Secretary of the Commonwealth appointed a State Steering Committee to develop the State Plan. The Steering Committee formed three sub-committees: Voter Identification and Provisional Voting, Voting Equipment and Accessibility, and Training and Education. The subcommittees held public hearings in various locations to seek public comment.

The objectives of the project funded by HAVA, as set forth in the state plan, were to purchase and implement new voting equipment to replace those municipalities using lever machines or datavote machines; provide increased access to the elections process for people with disabilities; modify the Central Voter Registry; implement a comprehensive voter education program, implement a toll-free line that allows voters to check the status of their provisional ballots; and train elections officials in Title II requirement of the Act.

The Secretary of Commonwealth established and is maintaining an Election Fund for the exclusive purpose of carrying out activities of HAVA. Additionally, the Office has managed all expenditures funded by HAVA and has not distributed any of the requirements payments to the local units of government, except for reimbursements of equipment purchases.



## **AUDIT OBJECTIVES**

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

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 Office from May 2, 2003 through September 30, 2012 as shown in the following table:

TYPE OF PAYMENT	FUNDS RECEIVED			TOTAL AVAILABLE	FUNDS DISBURSED
	EAC PAYMENT	STATE MATCH	INTEREST EARNED		
Section 101	\$ 6,590,381	\$ -	\$ 886,100	\$ 7,476,481	\$ 3,476,354
Section 102	1,519,497	-	11,491	1,530,988	1,530,988
Section 251	57,005,181	333,696	9,603,034	66,941,911	21,396,726
Total	<u>\$ 65,115,059</u>	<u>\$ 333,696</u>	<u>\$ 10,500,625</u>	<u>\$ 75,949,380</u>	<u>\$ 26,404,068</u>

### Notes to Table of Funds Received and Disbursed:

- (1) The Required State Match is \$3,000,273. As noted in Finding No. 4 the Office did not make the required matching contributions into the Election Fund.
- (2) The Interest Earned is allocated to the respective sections based on analysis provided by the Office.

Our audit methodology is set forth in Appendix B.

## **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 May 2, 2003 through September 30, 2012. The exceptions to applicable compliance requirements are described below.

### **Finding No. 1 – Financial Reporting**

The Office submitted financial reports that could not be supported by underlying accounting records.

Additionally, 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 Office submitted financial reports for Section 101 and Section 251 through September 2012 and submitted its final financial reports for Section 102 as of September 30, 2010. Only the Section 102 report was supported by the accounting records. A summary of the reconciliation of the Section 101 and Section 251 financial reports to the accounting records as of September 30, 2012 is as follows:

	<u>Section 101 Report</u>	<u>Section 251 Report</u>
Federal Share of Expenditures	\$ 3,284,488	\$ 20,209,598
Recipient Share of Expenditures	-	3,949,621
Total Expenditures Reported	\$ 3,284,488	\$ 24,159,219
Actual Expenditures Incurred	<u>3,476,354</u>	<u>21,396,726</u>
Expenditures (Under)/Over	<u>\$ (191,866)</u>	<u>\$ 2,762,493</u>

The variances are comprised of the following:

The financial reports for the Section 101 funds did not include \$81,220 of expenditures and a \$6,928 refund recorded in the accounting system. Additionally, the financial report was overstated by \$3,714 as a result of discounts received not being considered and errors in calculations. Finally, in fiscal year 2010 the Office incurred \$121,288 in Section 101 expenditures. However, the amount was erroneously excluded from the cumulative amount in the report. This resulted in an overstatement for that period of \$242,575 which was partially corrected in the 2011 financial report.

The financial reports for the Section 251 funds did not include \$334,112 of expenditures recorded in the accounting system. Additionally, \$1,002 was either a duplicate transaction recorded as Section 101 or the discounts received which were not considered in the financial reports. Finally, in fiscal year 2010 the Office erroneously reported \$3,095,603 of Federal outlays as both Federal and recipient share.

The accounting system used by the Office does not allow a single query to be produced to identify all of the transactions that occurred during a given reporting period. The accounting

system is able to produce a listing of disbursements made with HAVA funds but would not include any of the inter-departmental transactions that occurred between the Office and the Registry of Motor Vehicles or adjusting journal entries. Through review of the budgetary records maintained for the fund there were five transactions totaling \$109,730 that were identified, but were not disclosed as expenditures on the financial reports. The general ledger also included three invoices totaling \$298,675 that were omitted from the financial reports. This resulted in a total of \$408,405 of unreported HAVA expenditures.

It should be noted that the Office submitted revised financial reports for Section 101, 102 and 251 as of September 30, 2012.

**Recommendation:**

We recommend that the EAC require the Office to implement controls to ensure that grant activity is reconciled periodically to ensure that the Federal financial reports reflect actual activity of the election fund.

**Secretary of the Commonwealth's Response:**

The Division has implemented the necessary internal controls to ensure that accurate future financial reporting on cumulative reports by individual grant is supported by underlying accounting records. Further, the Division has established enhanced oversight to properly track expenditures and account for grant funds to ensure compliance with HAVA. The Division will regularly monitor HAVA grant activity, which will be reconciled quarterly. Also, the Division has submitted revised financial reports to address the concerns noted in the finding.

**Auditor's Response:**

The submission of the revised FSRs as of September 30, 2012 and the implementation of internal controls regarding financial reporting are responsive to the concern.

**Finding No. 2 – Interest Earned on Federal Funds**

The Office untimely credited interest earnings to the Elections Fund.

Cash management requirements as set forth in 41 CFR § 105-71.121 (f) address the effect of interest income on grant payments, and states that “grantees and subgrantees shall disburse program income, rebates, refunds, contract settlements, audit recoveries and interest earned on such funds before requesting additional cash payments.”

The Office worked with the State Treasurer and State Comptroller in order to establish the Election Fund as an interest bearing account. The Election Fund did not have interest credited to the fund until April 2006. The Office received approximately \$60 million in Section 101, 102 and 251 payments from EAC beginning in May 2003 through September 2004. Therefore, there are approximately three years of interest earned that have not been credited to the fund.

The Office prepared an analysis of interest earnings for the fund based on the transactions from the initial deposit of Section 101 funds on May 2, 2003 through April 2006. This analysis provided interest earnings totaling \$2,907,298 that were not credited to the fund. It was noted that \$2,754,129 was transferred into the HAVA bank account in April and May 2006. However, the interest transferred was not appropriated to the Election Fund in the accounting records.

**Recommendation:**

We recommend that the EAC require the Office to calculate the amount of interest to transfer to the election fund for the untimely crediting of interest earnings. This calculation should consider the period from the inception of the HAVA grant funds through the date of transfer and include any compound interest. The amount determined should be transferred into the election fund.

**Secretary of the Commonwealth's Response:**

The Division, in conjunction with the Massachusetts State Treasurer and State Comptroller, established the Election Fund as an interest bearing account. The Division acknowledges that for a brief period of time, the interest earned on the account was not properly credited back to the Election Fund.

The Division has now calculated the remaining amount of interest as \$153,169 and the compound interest as \$23,286 to be transferred into the Election Fund. These figures include the period from the inception of the HAVA grant funds through June 30, 2013. The Deposit of these funds into the Election Fund will properly allocate the interest earned on HAVA grant funds and remedy any untimely crediting of interest earnings.

The Division is currently working with the Massachusetts State Treasurer and State Comptroller to complete this transfer and properly allocate and credit the appropriate interest to the Election Fund.

**Auditor's Response:**

The corrective action is responsive to the concerns.

**Finding No. 3 – Inadequate Equipment Management**

The Office's property records are inadequate.

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 data

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 Office’s purchases of equipment with HAVA funds included workstations for the municipalities in order to synch them with the State system, Voter Assist Terminals, reimbursements to municipalities for the replacement of punch card or lever voting systems, memory cards for the voting equipment and other hardware used for database storage and networking. The Office has delegated authority and maintenance of the equipment purchased to various staff according to the type of asset. The Office was able to provide inventory listings for all equipment that is still operable based on the sample selection of transactions. However, it cannot be assured that all assets have been inventoried based on the decentralized inventory maintenance.

The inventory listings that have been provided for the different types of assets vary in content and only the inventory listing provided for the Voter Assist Terminals contained all of the required information. The other inventory listings were incomplete as follows:

- The workstations inventory did not include the acquisition date, cost of the property or percentage of Federal participation in the cost of the property.
- The inventory for the voting systems replacing the punch card or lever voting systems did not include the acquisition date, cost of the property, percentage of Federal participation in the cost of the property, the use and condition of the property or any ultimate disposition data.
- The memory cards inventory did not include the original acquisition date, cost of the property, percentage of Federal participation in the cost of the property or the use and condition of the property.
- The inventory of the hardware maintained at an off-site data center does not include the acquisition date, cost of the property, percentage of Federal participation or any ultimate disposition data.

The Office does not formally document the performance of a physical inventory. The Office indicated that periodically the municipalities are required to submit inventory lists so that they can be compared to their inventory records. The Common Rule requires a physical inventory to be conducted once every two years and the results reconciled to the inventory records. Without adequate documentation of the physical inventory it cannot be assured that all equipment purchased with Federal funds are adequately accounted for and safeguarded.

The audit physically observed approximately 25% of the AutoMARK Voter Assist Terminals located at four municipalities and those maintained by the Commonwealth of Massachusetts. The total number of machines was accounted for at each location and agreed to the inventory listing. However, it was identified that one serial number inspected was assigned to a different municipality on the inventory list. Additionally, the audit inspected the workstations, monitors

and printers that were purchased for the municipalities to connect to the State's network at four of the municipalities. The inspection substantiated the inventory listing as provided.

**Recommendation:**

We recommend that the EAC address and resolve the following recommendations that the Secretary of the Commonwealth of Massachusetts' Office:

- (a) Implement procedures to ensure that an inventory listing is created and maintained for equipment purchased with HAVA funds that complies with the Common Rule.
- (b) An analysis should also be performed to ensure that all purchases have been ultimately recorded through those inventory records.
- (c) Conduct a physical inventory at least once every two years and formally document the performance and any reconciliation efforts.

**Secretary of the Commonwealth's Response:**

The Division has undertaken comprehensive measures to ensure that all inventory of equipment, including workstations, voting systems, memory cards, and hardware maintained off-site purchased with HAVA funds is catalogued, updated, and maintained pursuant to the *Uniform Administrative Requirements for Grants and Cooperative Agreements with State and Local Governments* (OMB Circular A-102), 41 CFR § 105-71.132(d) (the Common Rule). Specifically, inventory listings have been amended to ensure inclusion of all of the following information required by the Common Rule: description of property; serial number or other identifying number; source of property; titleholder of property; date of acquisition; property costs; percentage of Federal participation in the cost of the property; location of the property; use and condition of property; and disposition data and sale price of property.

The Division currently conducts ongoing inventory evaluations that exceed the requirements under HAVA, and will conduct a comprehensive physical inventory and reconcile results with the property records at least once every two years. In addition, all municipalities within the Commonwealth have been informed of their obligations under HAVA regarding equipment inventory management and recordkeeping for equipment that has been paid for in any part using HAVA funds.

**Auditor's Response:**

The corrective action plan is responsive to the concerns.

**Finding No. 4 – HAVA Section 251 State Match**

The Office did not deposit into the election fund the required state match for all Section 251 requirements payments.

As a condition to receiving Section 251 requirements payments the State has to certify that it is in compliance with section 253(b) of the Act. Section 253(b)(5) states that “The State has appropriated funds for carrying out the activities for which the requirements payment is made in an amount equal to 5 percent of the total amount to be spent for such activities...”

Additionally 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 Office received \$57,005,182 in Section 251 funds as of September 30, 2012, which resulted in a matching requirement of \$3,000,273. The initial matching requirement of \$2,748,538 for the 2003 and 2004 requirements payment was never deposited into the fund. The Office has deposited State matching funds of \$251,735 in order to satisfy the matching requirement for only the 2008 and 2009 payments. Additionally, \$81,961 was deposited into the fund as State match to meet the requirement for the 2010 funds. However, the State elected not to certify for the 2010 funds and still maintained the State match in the election fund. This resulted in questioned costs of \$2,666,577 for the matching requirement not met as of September 30, 2012. Further, this resulted in lost interest earnings on the matching contributions not made from the date of the receipt of Section 251 funds through the date of transfer into the election fund.

The Office performed an analysis during fieldwork which identified \$1,466,662 of State funded expenditures that were HAVA eligible. Additionally, the Office identified \$344,426 that was not reimbursed to the municipalities for replacement of punch card or lever voting machines. This would provide support for the resolution for \$1,811,088 of the \$2,666,577 questioned costs. The audit did not evaluate the propriety of any additional matching expenditures identified by the Office since they are historical costs that were not initially considered as a matching contribution.

**Recommendation:**

We recommend that the EAC address and resolve the following recommendations that the Massachusetts Secretary of the Commonwealth’s Office:

- (a) Deposit adequate matching funds into the election fund to satisfy the \$2,666,577 in questioned costs. This amount may consider the analysis provided by the Office as a reduction of \$1,811,088 of the required \$2,666,577.



- (b) Calculate the amount of interest to transfer to the election fund for the untimely deposit of matching funds. This calculation should consider the period from the date the requirements payments were received through the date the matching requirement was met and include any compound interest through the date of the transfer. The amount determined should be transferred into the election fund.

**Secretary of the Commonwealth's Response:**

The Division acknowledges that \$57,005,182 in Section 251 funds was received as of September 30, 2012 and resulted in a state matching requirement of \$3,000,273 pursuant to HAVA, 42 U.S.C. § 15401/4 (establishing the 5% matching requirement). The Division has reviewed its HAVA obligations and accounted for all but \$185,102 of the questioned costs of \$2,666,577.

During the audit process, the Division provided MLA with documentation of \$1,811,088 in matching state expenditures made with state monies, which would have qualified to be paid for using HAVA funds, similar to the accepted state match practice used in many other states. The finding states that during fieldwork, the Division identified \$344,426 of the \$1,811,088 that "was not reimbursed to the municipalities for replacement of punch card or lever voting machines." The Division would like to clarify that 100% of the monies received under Section 102, which were specifically for replacement of punch card and lever machines, were provided to municipalities for reimbursement in addition to a percentage of Section 101 funds. While HAVA authorized an appropriation of \$4,000 for each precinct that used punch card or lever voting machines during the 2000 Presidential Election for replacement of such equipment, the actual appropriation was \$3,192 per precinct. The amounts available to Massachusetts under Section 102 (\$1,519,497) did not cover full reimbursement to the cities and towns. Accordingly, after consultation with MLA, the Division utilized the additional amounts paid by the municipalities as state matching funds. The Division will make documentation available for the EAC supporting this position.

Further, on July 12, 2013, \$716,511 was deposited into the Election Fund. Of this total amount, \$432,020 was allocated to the interest on the state match, which satisfies the state matching interest requirement. The remaining \$284,491 was allocated to the state match.

The Division has incurred additional matching expenses of \$385,896 for programming and related costs for the AutoMARK Voter Assist Terminals, accessible voting equipment required by HAVA, associated with the Special U.S. Senate Primary held on April 30, 2013 and General Election held on June 25, 2013. This reduces the remaining obligation of \$570,998 to \$185,102. The Division has also incurred additional expenses associated with the statewide database of registered voters required by HAVA, which qualify as state matching expenses. Of those costs, \$185,102 has been paid for with state funds, which fulfills the state match requirements. The Division can provide this documentation to both the OIG and EAC, if necessary.

Accordingly, the Division has fully expended State matching funds as required by HAVA. The Division has established procedures to maintain proper compliance with the 5% state

matching requirement under HAVA for any future requests for requirements payments that may be available.

**Auditor’s Response:**

The corrective action, pending approval from EAC, is responsive to the concerns. It should be noted that the use of prior year State funded expenditures to meet the required match may affect the level of expenditures maintained by the State to meet the MOE requirement.

**Finding No. 5 – Improper Use of HAVA Award Funds**

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

HAVA authorizes payments to states under Titles I and II as follows:

- Title I, Section 101 payments are for activities such as complying with Title III of HAVA for uniform and nondiscriminatory election technology and administration requirements, 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 punch card and lever action voting systems.
- Title II, Section 251 requirements payments are for complying with Title III requirements for voting system equipment; and for addressing provisional voting, voting information, statewide voter registration lists, and voters who register by mail.

In December 2009 the Office paid for the creation of two broadcast television Public Service Announcement’s (PSA) to promote voting in the Special Federal Election cycle for Massachusetts’ United States Senator. The subject of these PSAs was to inform the public that it was time for a Special Federal Election and that absentee ballots were available. The subject matter indicates “get out the vote” activities instead of educating the voters as allowed by Section 101 of HAVA.

The Office expended \$18,965 for the creation of the PSAs and also expended \$98,272 for the distribution of the PSAs to the local television networks. The total of \$117,237 was spent using Section 251 funds without a certification filed with the EAC as provided for in section 251(b)(2) of HAVA. The Office subsequently filed the EAC certification on July 8, 2013 which was subsequent to the fieldwork. The audit noted approximately \$427,407 was provided to the marketing firm that distributed the advertising using Section 251 funds during the period under review.

In its Funding Advisory Opinion FAO-08-005, the EAC states, “Neither Section 101 nor 251 funds can be used for “get out the vote” activities. In those cases where it is not clear whether a registration activity is educational or a get out the vote effort (i.e. encouraging citizens to vote on

Election Day), the State should contact EAC for a determination on the basis of the specific circumstances.”

The Funding Advisory Opinion further notes that, “Section 251 funds may be used for instructing individuals how to vote in the same manner as Section 101 funds if a State has submitted to the Election Assistance Commission one of the two certification provided for in section 251(b)(2) of HAVA.”

The Office also developed an information booklet for voters that included a mail-in voter registration card. The booklet provided the public information on the impact of the Help America Vote Act of 2002, how to register to vote, voting procedures and voting rights by absentee ballots. The cost of this booklet was allocated to both HAVA funds and State funds. The cost of printing the mail-in voter registration cards was \$78,636.

In its above-referenced Funding Advisory Opinion, the EAC noted that, “Neither Section 101 nor 251 funds may be used to print, copy, or revise State voter registration forms. Providing voter registration forms is an activity that States have been carrying out for years, is not a requirement imposed by HAVA, is not educational (even if there are instructions on the form), is not an improvement to the administration of elections for Federal office and must continue to be funded by the State.”

The cost associated with the 2009 PSA ads and the mail-in voter registration cards are not allowable charges to the HAVA award. Accordingly, costs of \$195,873 charged to the award are questioned costs.

**Recommendation:**

We recommend that the EAC address and resolve the following recommendations that the Massachusetts Secretary of the Commonwealth’s Office:

- (a) Transfer to the election fund \$195,873 for the questioned costs cited above.
- (b) Determine if advertising costs paid for with Section 251 funds are allowable due to the untimely certification as provided by Section 251(b)(2) of HAVA

**Secretary of the Commonwealth’s Response:**

The Division understands that HAVA authorizes payments to the Commonwealth and other states as noted above.

The finding questions the use of HAVA funds for Public Service Announcements (PSAs) and the printing of voter registration forms provided as part of an informational booklet sent to voters. Yet the EAC’s website for Frequently Asked Questions (FAQ) relative to HAVA funds states that voter education is allowable. In FAQ #23, the question asks whether a state or local government may use HAVA funds to produce and run radio and TV spots about registration deadlines, rights and responsibilities, absentee voting, information about

grievance procedures, provisional ballots and ID requirements. The answer provided is generally, yes.<sup>1</sup> The Division believes that these activities serve to educate voters and are therefore eligible to be paid for using HAVA funds.

Specifically, in December 2009, the Division used Section 251 funds for the creation of two broadcast television PSAs to inform the public of an upcoming Special Election for U.S. Senate and the procedure for obtaining absentee ballots. The purpose of the PSAs was to inform voters of their rights to participate in this Federal election and educate voters about the absentee ballot process in Massachusetts. The special election was held on January 19, 2010, in the middle of the winter, during a time when Federal elections do not normally take place. This was the first time a special election of this kind was held in Massachusetts. Accordingly, timely notification to voters of their rights to participate in this Federal special election was important and necessary. In addition, providing information on absentee ballot procedures was imperative given that Massachusetts law does not permit early voting or “no-excuse” absentee voting.<sup>2</sup> Consequently, unless otherwise qualified, all voters must vote at the polls on Election Day. Due to the potential for inclement winter weather, which has been shown to have a direct impact on the ability of many voters to go to the polls and participate, it was essential to educate voters prior to the special election of how to qualify and obtain an absentee ballot.

The Division acknowledges that Section 251 funds were used for the PSAs in question. In EAC advisory opinion (09-001), the EAC states that “Certifications filed under Section 251(b)(2) are applicable to periods prior to the submission of the certifications.”<sup>3</sup> On July 10, 2013, the Division certified to the EAC that the Commonwealth met the requirements of Title III of HAVA as of January 1, 2008. A copy of the certification was also provided to MLA. Therefore, the Division believes that the PSA costs paid for with Section 251 funds are permitted. If, however, the EAC determines that the certification of Section 251 funds was not timely, the Division respectfully suggests that in the alternative, Section 101 funds could have been used and are available for this purpose. Accordingly, if necessary, the financial reports for both Section 101 and Section 251 funds could be amended to designate the expenditure from Section 101 funds and document a credit to the Section 251 funds.

The Division printed and distributed an educational information booklet for voters that included a mail-in voter registration form paid for in part with Section 101 HAVA funds. As noted in the finding, the booklet provided the public information on the impact of the Help America Vote Act of 2002 including new voter identification requirements for first-time voters, how to register to vote, voting procedures and voting rights by absentee ballots.

This expense was incurred in 2004, four years prior to the first guidance issued by the EAC on the issue of using HAVA funds for printing voter registration forms. Although, FAO 08-

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<sup>1</sup> A copy of that document can be found at: [http://www.eac.gov/assets/1/workflow\\_staging/Documents/4712.PDF](http://www.eac.gov/assets/1/workflow_staging/Documents/4712.PDF).

<sup>2</sup> Under Amendments Article 105 of the Massachusetts Constitution and Chapter 54, section 86 of the Massachusetts General Laws, a voter may only vote absentee if they are absent from their city or town during the voting hours, are unable to vote in person because of a disability or because of religious beliefs.

<sup>3</sup> A copy of that opinion can be found at: <http://www.eac.gov/assets/1/AssetManager/FAO-09-001%20EAC.pdf>.

005 states that Section 101 funds may not be used to print voter registration forms, it also states: “[E]ducating voters on voting procedures would include providing instructions on how to register to vote...” It further states that “Section 101 funds may be used at any time to instruct individuals on how to register to vote.” The voter registration forms in question contained additional information regarding how to register to vote and the applicable deadlines for registering to vote in order to be eligible to vote in the 2004 Presidential election. The form also contained information regarding the new identification requirements for first-time voters under HAVA. This additional information supplemented the standard instructions that appear on all voter registration forms and clearly was a voter education effort allowable under HAVA.

The Division believes that the questioned costs for the PSAs and printing of mail-in voter registration cards are activities eligible to be paid for using HAVA funds. The Division looks forward to working with the EAC by providing them with documentation and justification to support these expenditures.

**Auditor’s Response:**

We recommend that EAC provide further guidance on the allowability of the Public Service Announcements and the printing of voter registration forms.

We provided a draft of our report to the appropriate individuals of the Secretary of the Commonwealth of Massachusetts’ Office. We considered any comments received prior to finalizing this report.

The Office responded on August 29, 2013 and generally agreed with the report’s findings and recommendations except as noted in the responses. The EAC respond on August 12, 2013 stated that they would work with the Office to resolve the issues and ensure appropriate corrective action. The Office’s complete response is included as Appendix A-1 and the EAC’s complete response as Appendix A-2.

McBride, Lock & Associates performed the related audit procedures between February 25, 2013 and July 9, 2013.

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

McBride, Lock & Associates  
July 9, 2013

## **APPENDIX A-1**



The Commonwealth of Massachusetts  
William Francis Galvin, Secretary of the Commonwealth  
Elections Division

August 29, 2013

Mr. Curtis Crider  
Inspector General  
U.S. Election Assistance Commission  
1201 New York Ave. NW – Suite 300  
Washington, DC 20005

Dear Mr. Crider:

The Elections Division within the Office of the Secretary of the Commonwealth (Division) welcomes this opportunity to respond to the Draft Audit Report (DAR) prepared by McBride, Lock & Associates (MLA) in connection with the Division's administration of payments received under the Help America Vote Act of 2002 (HAVA). The Division cooperated fully with the performance audit, providing all documents requested and making its employees available to answer questions. The Division would like to thank MLA, in particular Mr. Ray Miller, for its professionalism during the audit process being conducted on behalf of the Office of Inspector General (OIG), an independent division of the U.S. Election Assistance Commission (EAC).

Since the inception of HAVA, the Division has taken extra care when contemplating the use of HAVA funds and implementing requirements in accordance with HAVA. The Division appreciates the opportunity to provide written responses to the Notice of Findings and Recommendations and is committed to resolving any concerns set forth in the DAR. We appreciate the acknowledgement of the corrective actions we have already taken and the further ability to provide additional explanation during the exit interview. Please find our written responses below.

**DAR 1 – Financial Reporting**

The Division is required to utilize payments authorized by HAVA Sections 101, 102, and 251 in accordance with HAVA and applicable administrative requirements; accurately and properly account for property purchased with HAVA payments and for program

Mr. Curtis Crider  
Page Two  
August 29, 2013

income; and meet HAVA requirements under Section 251 in administering HAVA funds and its matching contribution.

Appropriate corrective action has been taken to ensure that the cumulative data reported to the EAC reflects detailed state records. The Division submitted revised financial reports for Sections 101, 102 and 251, which the DAR acknowledges, correcting all but one of the accounting issues documented in the DAR for the reporting period ending September 30, 2012.<sup>1</sup> Only one minor accounting exception remains outstanding – a \$3,894.00 payment refund relative to the Section 251 funds. On July 24, 2013, the Division filed an amended report with the EAC to correct the sole remaining exception, a copy of which was provided.

The Division has implemented the necessary internal controls to ensure that accurate future financial reporting of cumulative reports by individual grant is supported by underlying accounting records. Further, the Division has established enhanced oversight to properly track expenditures and account for grant funds to ensure compliance with HAVA. The Division will regularly monitor HAVA grant activity, which will be reconciled quarterly.

#### **DAR 2 – Interest Earned on Federal Funds**

The Division, in conjunction with the Massachusetts State Treasurer and State Comptroller, established the Election Fund as an interest bearing account. The Division acknowledges that for a brief period of time, the interest earned on the account was not properly credited back to the Election Fund.

The Division has since calculated the remaining amount of interest as \$153,169.00 and the compound interest as \$23,228.17 to be transferred into the Election Fund. These figures include the period from the inception of the HAVA grant funds through June 30, 2013. The deposit of these funds has been made into the Election Fund, which properly allocates the interest earned on HAVA grant funds and remedies any untimely crediting of interest earnings.

The Division worked with the Massachusetts State Treasurer and State Comptroller to complete this transfer and properly allocate and credit the appropriate interest to the Election Fund.

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<sup>1</sup> The revised Section 102 report, submitted to the EAC on June 7, 2013, did not amend any financial data, but instead reflected that the report was “Final,” as all monies have been previously expended.



Mr. Curtis Crider  
Page Three  
August 29, 2013

### **DAR 3 – Inadequate Equipment Management**

The Division has undertaken comprehensive measures to ensure that all inventory of equipment, including workstations, voting systems, memory cards, and hardware maintained off-site purchased with HAVA funds is catalogued, updated, and maintained pursuant to the Uniform Administrative Requirements for Grants (OMB Circular A-102), 41 CFR § 105-71.132 (d) (the Common Rule). Specifically, inventory listings have been amended to ensure the inclusion of all of the following information required by the Common Rule: description of property; serial number or other identifying number; source of property; titleholder of property; date of acquisition; property cost; percentage of Federal participation in the cost of the property; location of the property; use and condition of property; and disposition data and sale price of property.

The Division currently conducts ongoing inventory evaluations that exceed the requirements under HAVA, and will conduct a comprehensive physical inventory and reconcile results with the property records at least once every two years. In addition, all municipalities within the Commonwealth have been informed of their obligations under HAVA regarding equipment inventory management and recordkeeping for equipment that has been paid for in any part using HAVA funds.

### **DAR 4 – HAVA Section 251 State Match**

This Division acknowledges that \$57,005,182.00 in Section 251 funds was received as of September 30, 2012 and resulted in a state matching requirement of \$3,000,273.00 pursuant to HAVA, 42 U.S.C. § 15401/4 (establishing the 5% matching requirement). The Division has reviewed its HAVA obligations and accounted for all but \$185,102.22 of the questioned costs of \$2,666,577.00.

During the audit process, the Division provided MLA with documentation of \$1,811,088.00 in matching state expenditures made with state monies, which would have qualified to be paid for using HAVA funds, similar to the accepted state match practice used in many other states. The DAR states that during fieldwork, the Division identified \$344,426.00 of the \$1,811,088.00 that “was not reimbursed to the municipalities for replacement of punch card or lever voting machines.” The Division would like to clarify that 100% of the monies received under Section 102, which were specifically for replacement of punch card and lever machines, were provided to municipalities for reimbursement in addition to a percentage of Section 101 funds. While HAVA authorized an appropriation of \$4,000.00 for each precinct that used punch card or lever voting machines during the 2000 Presidential Election for replacement of such equipment, the actual appropriation was \$3,192.22 per precinct. The amounts available to Massachusetts under Section 102 (\$1,519,497.00) did not cover full reimbursement to the cities and towns. Accordingly, after consultation with MLA, the Division utilized the

Mr. Curtis Crider  
Page Four  
August 29, 2013

additional amounts paid by the municipalities as state matching funds. The Division will make documentation available to the EAC supporting this position.

Further, on July 12, 2013, \$716,511.00 was deposited into the Election Fund. Of this total amount, \$432,020.22 was allocated to the interest on the state match, which satisfies the state matching interest requirement. The remaining \$284,490.78 was allocated to the state match.

The Division has incurred additional matching expenses of \$385,896.00 for programming and related costs for the AutoMARK Voter Assist Terminals, accessible voting equipment required by HAVA, associated with the Special U.S. Senate Primary held on April 30, 2013 and General Election held on June 25, 2013. This reduces the remaining obligation of \$570,998.22 to \$185,102.22. The Division has also incurred additional expenses associated with the statewide database of registered voters required by HAVA, which qualify as state matching expenses. Of those costs, \$185,102.22 has been paid for with state funds, which fulfills the state match requirements. The Division can provide this documentation to both the OIG and EAC, if necessary.

Accordingly, the Division has fully expended state matching funds as required by HAVA. Further, the Division has established procedures to maintain proper compliance with the 5% state matching requirement under HAVA for any future requests for requirements payments that may be available.

#### **DAR 5 - Improper Use of HAVA Award Funds**

The Division understands that HAVA authorizes payments to the Commonwealth and other states as follows:

1. Section 101 payments are for activities such as complying with HAVA requirements for uniform and nondiscriminatory election technology and administration requirements, improving the administration of elections for Federal office, educating voters, training election officials and poll workers, and developing a state plan for requirements payments.
2. Section 102 payments are available only for the replacement of punch card and lever action voting systems.
3. Section 251 requirements payments are for complying with HAVA requirements for voting system equipment; and for addressing provisional voting, voting information, statewide voter registration lists and voters who register by mail.

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Page Five  
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The DAR questions the use of HAVA funds for Public Service Announcements (PSAs) and the printing of voter registration forms provided as part of an informational booklet sent to voters. Yet, the EAC's website for Frequently Asked Questions (FAQ) relative to HAVA funds states that voter education is allowable. In FAQ # 23, the question asks whether a state or local government may use HAVA funds to produce and run radio and TV spots about registration deadlines, rights and responsibilities, absentee voting, information about grievance procedures, provisional ballots and ID requirements. The answer provided is generally, yes.<sup>2</sup> The Division believes that these activities serve to educate the voters and are therefore eligible to be paid for using HAVA funds.

Specifically, in December 2009, the Division used Section 251 funds for the creation of two broadcast television PSAs to inform the public of an upcoming Special Election for U.S. Senate and the procedure for obtaining absentee ballots. The purpose of the PSAs was to inform voters of their rights to participate in this federal election and educate voters about the absentee ballot process in Massachusetts. The special election was held on January 19, 2010, in the middle of the winter, during a time when federal elections do not normally take place. This was the first time a special election of this kind was held in Massachusetts. Accordingly, timely notification to voters of their rights to participate in this federal special election was important and necessary. In addition, providing information on absentee ballot procedures was imperative given that Massachusetts law does not permit early voting or "no-excuse" absentee voting.<sup>3</sup> Consequently, unless otherwise qualified, all voters must vote at the polls on Election Day. Due to the potential for inclement winter weather, which has been shown to have a direct impact on the ability of many voters to go to the polls and participate, it was essential to educate voters prior to the special election of how to qualify and obtain an absentee ballot.

The Division acknowledges that Section 251 funds were used for the PSAs in question. In EAC advisory opinion (09-001), the EAC states that "Certifications filed under Section 251(b)(2) are applicable to periods prior to the submission of the certifications."<sup>4</sup> On July 10, 2013, the Division certified to the EAC that the Commonwealth met the requirements of Title III of the HAVA as of January 1, 2008. A copy of the certification was also provided to the MLA. Therefore, the Division believes that the PSA costs paid for with Section 251 funds are permitted. If, however, the EAC determines that the certification of Section 251 funds was not timely, the Division respectfully suggests that

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<sup>2</sup> A copy of that document can be found at:  
[http://www.eac.gov/assets/1/workflow\\_staging/Documents/4712.PDF](http://www.eac.gov/assets/1/workflow_staging/Documents/4712.PDF).

<sup>3</sup> Under Amendments Article 105 of the Massachusetts Constitution and Chapter 54, section 86 of the Massachusetts General Laws, a voter may only vote absentee if they are absent from their city or town during the voting hours, are unable to vote in person because of a disability or because of religious beliefs.

<sup>4</sup> A copy of that opinion can be found at: <http://www.eac.gov/assets/1/AssetManager/FAO-09-001%20EAC.pdf>.

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Page Six  
August 29, 2013

in the alternative Section 101 funds could have been used and are available for this purpose. Accordingly, if necessary, the financial reports for both Section 101 and Section 251 funds could be amended to designate the expenditure from Section 101 funds and document a credit to the Section 251 funds.

The Division printed and distributed an educational information booklet for voters that included a mail-in voter registration form paid for in part with Section 101 HAVA funds. As noted in the DAR, the booklet provided the public information on the impact of the Help America Vote Act of 2002 including new voter identification requirements for first-time voters, how to register to vote, voting procedures and voting rights by absentee ballots.

This expense was incurred in 2004, four years prior to the first guidance issued by the EAC on the issue of using HAVA funds for printing voter registration forms. Although FAO 08-005 states that Section 101 funds may not be used to print voter registration forms, it also states: “[E]ducating voters on voting procedures would include providing instructions on how to register to vote...” It further states that “Section 101 funds may be used at any time to instruct individuals on how to register to vote.” The voter registration forms in question contained additional information regarding how to register to vote and the applicable deadlines for registering to vote in order to be eligible to vote in the 2004 Presidential election. The form also contained information regarding the new identification requirements for first-time voters under HAVA. This additional information supplemented the standard instructions that appear on all voter registration forms and clearly was a voter education effort allowable under HAVA.

We believe that the questioned costs for these public service announcements and printing of mail-in voter registration cards are activities eligible to be paid for using HAVA funds. The Division looks forward to working with the EAC, by providing them with documentation and justification to support these expenditures.

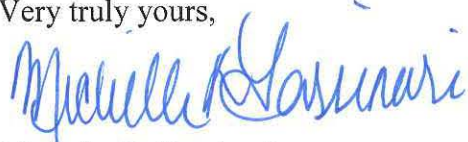
**Conclusion:**

The Division is proud of its early and ongoing efforts in Massachusetts to ensure elections are administered fairly, accurately and efficiently. In addition, the Division appreciates the opportunities afforded by HAVA to improve the election process; in particular, increasing accessibility to voting and modernizing the statewide database of registered voters. The Division will continue to use HAVA funds in accordance with HAVA and as set forth in the amended Massachusetts State Plan to improve the administration of federal elections in the Commonwealth. Finally, the Division welcomes the guidance provided by the EAC on HAVA funding requirements and remains committed to working with the OIG and EAC in the future.

Mr. Curtis Crider  
Page Seven  
August 29, 2013

Thank you for your attention to this matter. Please do not hesitate to contact me if you have any questions or require any additional information.

Very truly yours,

A handwritten signature in blue ink that reads "Michelle K. Tassinari". The signature is written in a cursive style with a large initial "M".

Michelle K. Tassinari  
Director/Legal Counsel  
Elections Division

**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 Commonwealth of Massachusetts, for the Period May 2003 through September 30, 2012.*

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August 12, 2013

### **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 of Commonwealth of Massachusetts”

Thank you for this opportunity to review and respond to the draft audit report for the Office of the Secretary of the Commonwealth of Massachusetts (Office).

The Election Assistance Commission (EAC) will work with the Office to ensure appropriate corrective action.

## **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 Office employees about the organization and operations of the HAVA program.
- Reviewed prior single audit reports related to the State's financial management systems and the HAVA program for the period under review.
- Reviewed policies, procedures and regulations for the Office 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.
- 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.



## Appendix C

### MONETARY IMPACT AS OF SEPTEMBER 30, 2012

<u>Description</u>	<u>Questioned Costs</u>	<u>Additional Funds for Program</u>
Interest Earned on Federal Funds	\$ -	\$ 176,455
Section 251 Matching Requirement	2,666,577	432,020
Unallowable Advertising Costs	117,237	-
Unallowable Printing of Voter Registration Cards	<u>78,636</u>	<u>-</u>
Total	<u>\$2,862,450</u>	<u>\$ 608,475</u>

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## OIG's Mission

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

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1201 New York Ave. NW – Suite 300  
Washington, DC 20005

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

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

By Mail: U.S. Election Assistance Commission  
Office of Inspector General  
1201 New York Ave. NW – Suite 300  
Washington, DC 20005

E-mail: [eacoig@eac.gov](mailto:eacoig@eac.gov)

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

On-Line Complaint Form: [www.eac.gov/inspector\\_general/](http://www.eac.gov/inspector_general/)  
FAX: 202-566-0957

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