



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

FINAL REPORT:

**Administration of Payments Received
Under the Help America Vote Act by the
Connecticut Secretary of State's Election
Division**

APRIL 15, 2003 THROUGH JANUARY 31, 2010

**Report No.
E-HP-CT-07-10
September 2010**



U.S. ELECTION ASSISTANCE COMMISSION
OFFICE OF INSPECTOR GENERAL
1201 New York Ave. NW - Suite 300
Washington, DC 20005

September 28, 2010

Memorandum

To: Thomas Wilkey
Executive Director

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

Subject: Final Audit Report - Administration of Payments Received Under the Help America Vote Act by the Connecticut Secretary of State's Election Division
(Assignment Number E-HP-CT-07-10)

We contracted with the independent certified public accounting firm of Clifton Gunderson LLP (Clifton Gunderson) to audit the administration of payments received under the Help America Vote Act (HAVA) by the Connecticut Secretary of State (SOS). The contract required that the audit be done in accordance with U.S. generally accepted government auditing standards. Clifton Gunderson is responsible for the attached auditor's report and the conclusions expressed therein.

In its audit of the SOS, Clifton Gunderson concluded that, except for the maintenance of comprehensive equipment inventories and security over voting equipment, our audit concluded that the SOS generally accounted for and expended HAVA funds in accordance with the HAVA requirements and complied with the financial management requirements established by the U.S. Election Assistance Commission. The SOS also complied with section 251 requirements.

In her July 22, 2010 response to the draft report (Appendix A-1), the SOS agreed with the report's finding and recommendations, and provided corrective action. Also, we have included in the report the EAC response to the draft report (Appendix A-2), dated August 13, 2010, which indicated general concurrence with the recommendation.

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 finding and recommendation included in this report by November 30, 2010. Your response should include information on actions taken or planned, targeted completion dates, and titles of officials responsible for implementation.

The legislation, as amended, creating the Office of Inspector General (5 U.S.C. § App.3) requires semiannual reporting to Congress on all audit reports issued, actions taken to implement audit recommendations, and recommendations that have not been implemented. Therefore, this report will be included in our next semiannual report to Congress.

If you have any questions regarding this report, please call me at (202) 566-3125.

PERFORMANCE AUDIT REPORT
ADMINISTRATION OF PAYMENTS RECEIVED
UNDER THE
HELP AMERICA VOTE ACT
BY THE
STATE OF CONNECTICUT

April 15, 2003 Through January 31, 2010

UNITED STATES ELECTION
ASSISTANCE COMMISSION

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

EXECUTIVE SUMMARY

Clifton Gunderson LLP was engaged by the U.S. Election Assistance Commission (EAC or the Commission) Office of Inspector General to conduct a performance audit of the Connecticut Secretary of State (SOS) for the period April 15, 2003 through January 31, 2010 to determine whether the SOS used payments authorized by Sections 101, 102, and 251 of the Help America Vote Act of 2002 (HAVA or the Act) in accordance with HAVA and applicable requirements; accurately and properly accounted for property purchased with HAVA payments and for program income, and met HAVA requirements for Section 251 funds for an election fund and for a matching contribution. Maintenance of Effort was not included in the scope of our audit procedures. Subsequent to the date of our report, on June 28, 2010, the Commission issued its revised guidance on the Maintenance of Expenditures (MOE) requirement, which includes a provision that the states will have 12 months from the date of the policy to submit a MOE plan to the EAC.

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 Governments* (also known as the “Common Rule”) as published in the Code of Federal Regulations 41 CFR 105-71.
- Expend payments in accordance with cost principles for establishing the allowance or disallowance of certain items of cost for federal participation issued by the Office of Management and Budget (OMB) in Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*.
- Submit detailed annual financial reports on the use of Title I and Title II payments.

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. Because of inherent limitations, a study and evaluation made for the limited purposes of our review would not necessarily disclose all weaknesses in administering HAVA payments.

Except for the maintenance of adequate property records and security over HAVA funded equipment, as discussed below, our audit concluded that the SOS generally accounted for and expended HAVA funds in accordance with the requirements mentioned above for the period from April 15, 2003 through January 31, 2010. The exception needing SOS’s management attention is as follows:

- Inventory listings of voting and SVRS equipment did not conform to the requirements of 41 C.F.R. 105-71.132 (d) (1), (the Common Rule) at the seven towns we visited. The listings did not include required elements such as use, condition or the federal, state, or county percentage of ownership. Four of the towns did not have inventory records of their handicap accessible voting equipment. One town did not have adequate physical security controls over its HAVA funded equipment.

We have included in this report as Appendix A-1 the SOS management's formal response to the findings and recommendations dated July 22, 2010. The SOS response included the detail inventory listings, reflecting the changes that had been implemented to resolve the exceptions noted above, which we did not include in Appendix A-1. The listings would add significant volume of pages to the report, and will be made available to the EAC upon request for resolution of any outstanding issues. Although we have included management's written responses to our notices of findings and recommendations, such responses have not been subjected to the audit procedures and, accordingly, we do not provide any form of assurance on the appropriateness of the responses or the effectiveness of the corrective actions described therein. SOS officials agreed with our recommendations.

The draft report, including the SOS response, was provided to the Executive Director of the EAC for review and comment. The EAC agreed with the report's conclusions and recommendations as well as the Connecticut officials' initial responses. The EAC's complete response is included as Appendix A-2.

BACKGROUND

HAVA created the Commission to assist states and insular areas with the improvement of the administration of federal elections and to provide funds to states to help implement these improvements. 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.

Title II also requires that states must:

- Have appropriated funds "equal to 5 percent of the total amount to be spent for such activities [activities for which requirements payments are made]." [Section 253(b) (5)].

- “Maintain the expenditures of the state for activities funded by the [requirements] 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.” [Section 254(a)(7)].
- Establish an election fund for amounts appropriated by the state “for carrying out the activities for which the requirements payment is made,” for the Federal requirements payments received, for “such other amounts as may be appropriated under law,” and for “interest earned on deposits of the fund.” [Section 254(b)(1)].

AUDIT OBJECTIVES

The objectives of our audit were to determine whether the Connecticut Secretary of State:

1. Used payments authorized by Sections 101, 102, and 251 of HAVA in accordance with HAVA and applicable requirements;
2. Accurately and properly accounted for property purchased with HAVA payments and for program income;
3. Met HAVA requirements for Section 251 funds for an election fund and for a matching contribution. We did not determine whether the SOS met the requirement for maintenance of a base level of state outlays, because the Commission is reviewing its guidance on the applicability of the maintenance of a base level of state outlays to subgrantees of the SOS.

In addition to accounting for HAVA payments, the Act 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 HAVA funds to comply with certain financial management requirements, specifically:

1. Comply with the *Uniform Administrative Requirements for Grants and Cooperative Agreements with State and Local Governments* (also known as the “Common Rule”) as published in the Code of Federal Regulations at 41 CFR 105-71.
2. Expend payments in accordance with cost principles for establishing the allowance or disallowance of certain items of cost for federal participation issued by the OMB.
3. Submit detailed annual financial reports on the use of Title I and Title II payments.¹

¹ EAC requires states to submit annual reports on the expenditure of HAVA Sections 101, 102, and 251 funds. Through December 31, 2008, for Sections 101 and 102, reports were due on February 28 for the activities of the previous calendar year, and, for Section 251, reports were due by March 30 for the activities of the previous fiscal year ending on September 30. Beginning in calendar year 2009, all reports will be effective as of September 30, 20XX for the fiscal year ended that date and will be due by December 31, 20XX.

SCOPE AND METHODOLOGY

We audited the HAVA funds received and disbursed by the SOS from April 15, 2003 through January 31, 2010 (81-month period) as shown in the following table:

TYPE OF PAYMENT	FUNDS RECEIVED				TOTAL AVAILABLE	FUNDS DISBURSED	DATA AS OF
	EAC PAYMENT	PROGRAM INCOME	STATE MATCH	INTEREST EARNED			
Section 101	\$ 5,000,000	\$ 0	\$ 0	\$ 694,358	\$5,694,358	\$5,264,202	1/31/2010
Section 102	0	0	0	0	0	0	1/31/2010
Section 251	29,081,608	0	0 ²	3,645,382	32,726,990	28,903,801	1/31/2010
Total	<u>\$34,081,608</u>	<u>\$ 0</u>	<u>\$0</u>	<u>\$4,339,740</u>	<u>\$38,421,348</u>	<u>\$34,168,003</u>	1/31/2010

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. Because of inherent limitations, a study and evaluation made for the limited purposes of our review would not necessarily disclose all weaknesses in administering HAVA payments.

Except for the maintenance of adequate property records, and physical security over HAVA funded assets, our audit concluded that the SOS generally accounted for and expended HAVA funds in accordance with the requirements mentioned above. The SOS has taken action on or is working to resolve the exceptions described below as set forth in Appendix A-1:

I. Property Records and Security over HAVA Funded Equipment

The equipment listings provided to us by the Connecticut Office of the Secretary of the State (SOS), and each of the seven towns we visited, did not conform to the requirements of 41 C.F.R. 105-71.132 (d)(1), (the Common Rule). We noted the following:

1. The listings included a description of the equipment, serial number and the location, but it did not include the condition, use, source or federal, state or town percentage of ownership.
2. Four of the seven towns we visited did not have inventory records of their handicap accessible voting equipment.

There was one town that had a phone/fax machine stored in a locked wheeled cabinet in an unlocked room next to the town council meeting room. In the same town we found that a

² Connecticut did not deposit its state match into the election fund. Instead, it considered expenditures for its state-funded Statewide Voter Registration System as satisfying its state match.

phone/fax machine was stored in a locked cabinet inside a locked room along with the school's athletic equipment. At this school only the school's athletic staff had keys to the locked room.

The Uniform Administrative Requirements for Grants and Cooperative Agreements with State and Local Governments 41 CFR § 105-71.132(d)(1), referred to as the Common Rule, states that 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, cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property. The Common Rule, 41 CFR § 105-71.132(d)(3), also requires that a control system must be developed to ensure adequate safeguards to prevent loss, damages or theft of the property.

SOS election officials informed us that they were not aware of the detailed recordkeeping requirements of the Common Rule.

Recommendations:

We recommend that EAC require that the SOS ensure that the property records at towns include the minimum information required by the Common Rule, and that HAVA funded equipment is properly secured and only accessible by authorized election officials.

SOS's Response:

The SOS concurred with our recommendations and said that inventory listings have been amended to include the information required by the Common Rule. The SOS has also promulgated procedures covering security over HAVA funded voting equipment. The SOS said that her staff had followed up with the town where we found inadequate security over voting equipment to ensure that the town understands and adheres to federal requirements. In addition, the SOS's office plans to provide training to all towns in the state on property inventory records and security over voting equipment during September 2010.

We provided a draft of our report to the appropriate individuals of the Connecticut Secretary of State, and the United States Election Assistance Commission. We considered any comments received prior to finalizing this report.

The draft report, including the SOS response, was provided to the Executive Director of the EAC for review and comment. The EAC agreed with the report's conclusions and recommendations as well as the Connecticut officials' initial responses. The EAC's complete response is included as Appendix A-2.

CG performed its work between February 15, 2010 and March 5, 2010.

Clifton Henderson LLP

Calverton, Maryland
June 1, 2010



Susan Bysiewicz
SECRETARY OF THE STATE
CONNECTICUT

July 22, 2010

Mr. Curtis W. Crider
Inspector General
U.S. Election Assistance Commission
Office of the Inspector General
1201 New York Avenue, NW – Suite 300
Washington, D.C. 20005

RE: Response to Draft Report Entitled “Performance Audit Report – Administration of Payments Received Under the Help America Vote Act by the State of Connecticut”

Dear Mr. Crider:

Thank you very much for your letter of June 25, 2010. We are delighted that Clifton Gunderson LLP concluded that the State of Connecticut generally accounted for and expended Help America Vote Act (“HAVA”) funds in accordance with HAVA and applicable requirements for the period from April 15, 2003 through January 31, 2010. We have worked very hard to meet all of the requirements of HAVA in a timely and cost-effective way, and we are very proud of Connecticut’s leadership in implementing a centralized voter registration database, new optical scan voting machines with a voter verified and auditable paper trail and other requirements.

I am writing to address the one exception raised in your report related to the completeness of inventory listings:

Finding:

The equipment listings provided by the Connecticut Office of the Secretary of the State and each of the seven towns visited did not conform to the requirements of 41 C.F.R. 105-71.132 (d) (1), (the Common Rule). Although the listings included a specific description of the equipment, serial numbers and the location of the equipment, they did not include the condition, use or source of that equipment and a designation of the federal, state or town percentage of ownership of said equipment.

Response:

The listings have already been amended to include the additional items required by 41 C.F.R. 105-71.132 (d) (1). The revised form is attached. It should be noted that, while this information was not specifically contained on the listings, information regarding condition, use, source and percentage of ownership was communicated to towns through a variety of vehicles, including informational bulletins provided by the office.

Finding:

Additionally, four of the seven towns visited did not have inventory records of their accessible voting equipment. It was also noted that, in one town, one phone and fax machine used for accessible voting was stored in a locked cabinet on wheels, but was in an unlocked room next to the town council meeting room and in another instance in the same town, the equipment was properly locked up in a school, but auditors were told that only athletic staff had keys to the room.

Response:

Following the August 10, 2010 primary, the Office of the Secretary of the State will issue inventory recommendations to the towns, along with sample forms for use in maintaining proper inventory records. With regard to proper storage, the Office of the Secretary of the State has promulgated procedures covering the type of finding listed above and will re-issue those procedures and conduct training for election officials at the next statewide conference in September, 2010. In addition, immediately after the audit site visit, we assigned our Municipal Liaison to follow up directly with that town to ensure that they understand the requirements and adhere to them. We will provide that documentation to you under separate cover.

I trust that this response adequately addresses these issues. Please feel free to contact me at (860) 509-6200 if you have any further questions. Thank you again for your assistance.

Sincerely,



Susan Bysiewicz
Secretary of the State

Auditor Note: The attachments noted in Appendix A-1 have not been included; however, they will be made available to the EAC to resolve the findings and recommendations.



EAC RESPONSE TO THE DRAFT AUDIT:

OIG Performance Audit Report on the Administration of Payments Received Under the Help America Vote Act by the State of Connecticut, for the Period April 15, 2003 Through January 31, 2010

MEMORANDUM

August 13, 2010

To: Curtis Crider
Inspector General

From: Thomas Wilkey
Executive Director

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

Thank you for the opportunity to review and respond to the draft audit report for Connecticut.

The Election Assistance Commission (EAC) generally concurs with the results of the review and recommendations. We will make a sample inventory sheet available to the Connecticut Office of the Secretary of the State (SOS).

EAC notes that the SOS office sent a proposed resolution to the Notice of Finding and Recommendations (NFR) issued for this audit to the Office of Inspector General (OIG). Any proposed solution to an audit finding should be addressed to the EAC and not the OIG.

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.
- Understanding 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 SOS employees about the organization and operations of the HAVA program.
- Reviewed prior single audit report and other reviews related to the state's financial management systems and the HAVA program for the last 2 years.
- Reviewed policies, procedures and regulations for the SOS's management and accounting systems as they relate to the administration of HAVA programs.
- Analyzed the inventory lists of equipment purchased with HAVA funds.
- Tested major purchases and supporting documentation.
- Tested randomly sampled payments made with the HAVA funds.
- Verified support for reimbursements to local governments (counties, cities, and municipalities).
- Reviewed certain state laws that impacted the election fund.
- Examined appropriations and expenditure reports for state funds used to meet the five percent matching requirement for section 251 requirements payments.
- Evaluated compliance with the requirements for accumulating financial information reported to the Commission on the Financial Status Reports, Forms SF-269 and 425, accounting for property, purchasing HAVA related goods and services, and accounting for salaries.
- Verified the establishment and maintenance of an election fund.

- Conducted site visits of selected counties/towns to perform the following:
 - Observe equipment purchased with HAVA funds for proper accounting and safeguarding.
 - Ensure compliance with HAVA Act.

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