

**UNITED STATES
ELECTION ASSISTANCE COMMISSION
OFFICE OF INSPECTOR GENERAL**



**Administration of Payments Received
Under the Help America Vote Act by
the Florida Department of State**



OFFICE OF THE INSPECTOR GENERAL
US ELECTION ASSISTANCE COMMISSION
633 3RD STREET, NW, SUITE 200
WASHINGTON, DC 20001

Memorandum

To: Mona Harrington
Executive Director

From: *Patricia L. Layfield*
Patricia L. Layfield
Inspector General

Date: March 26, 2021

Subject: Final Performance Audit Report – Administration of Payments Received Under the Help America Vote Act by the Florida Department of State (Assignment Number E-HP-FL-09-20)

The Office of Inspector General (OIG) engaged McBride, Lock & Associates, LLC (MLA), an independent certified public accounting firm, to audit the administration of payments received under the Help America Vote Act (HAVA) by the Florida Department of State (FLDOS). The audit scope covered the grant funds received and disbursed by the FLDOS, from June 5, 2018, through September 30, 2019. The \$19.2 million in funds paid to the FLDOS represented Florida's share of the appropriation of \$380 million under the Consolidated Appropriations Act of 2018 (P.L. 115-151). FLDOS expended approximately \$17.3 million of the HAVA funds (including state matching funds and program income) during the period covered by the audit.

Results of Audit

Based on the audit procedures performed, MLA concluded that, except for the matters discussed below, that the Office accounted for HAVA funds in accordance with the requirements mentioned above, and used the funds in a manner consistent with the budget plan for the period from June 5, 2018 through September 30, 2019. However, MLA noted FLDOS did not properly account for property purchased with HAVA payments. The exceptions MLA identified are explained below.

1. The Office did not earn interest on the Election Security grant funds placed in the election fund from the date of initial receipt, June 5, 2018, until the date the Office

identified the error and made a correction in early March 2019. However, the auditors' evaluation of the response further recommended that EAC verify the calculation of the amount that was deposited in March.

2. Federal expenditures reported on the Federal Financial Reports (FFRs) were not supported in total by the documentation the state provided.
3. Of the 136 equipment items tested, which all had a per unit cost in excess of \$1,000, none were tracked in the state's financial system as property. To the extent that these items were not recorded in an inventory listing, they were not included as part of the annual physical inventory of all property.
4. The Office's monitoring of subrecipients did not ensure that property records were maintained in compliance with Federal requirements.

The Office responded on March 22, 2021 and generally agreed with the report's findings and recommendations. The EAC responded on March 25, 2021 and stated they will work with the Florida Department of State to implement and complete appropriate corrective action on the findings.

We would appreciate being kept informed of the actions taken on our recommendations as we will track the status of their implementation.

Evaluation of MLA's Audit Performance

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

- Reviewed MLA's approach and planning of the audit;
- Evaluated the qualifications and independence of the auditors;
- Monitored the progress of the audit at key points;
- Reviewed MLA's audit report and selected work products, to ensure compliance with Government Auditing Standards; and
- Coordinated issuance of the audit report.

MLA is responsible for the attached auditor's report and the findings and conclusions expressed in the report. The work the EAC OIG performed in evaluating MLA's conduct of the audit was not sufficient to support an opinion on the effectiveness of internal control or compliance with laws and regulations, thus EAC OIG does not express any opinion on the internal controls or compliance of the FLDOS.

The Inspector General Act of 1978, as amended, requires semiannual reporting to Congress on all reports issued, actions taken to implement recommendations, and recommendations that have not been implemented. Therefore, we will report the issuance of this audit report in our next semiannual report to Congress. The distribution of this report is not restricted and copies

are available for public inspection. Pursuant to the IG Empowerment Act of 2016, the EAC OIG will post this audit report on the OIG website within 3 days of its issuance to EAC management. The OIG will also post the report to Oversight.gov.

If you have any questions regarding this report, please call me at (202) 853-2760.

cc: Commissioner Donald L. Palmer, Chair
Commissioner Thomas Hicks, Vice-Chair
Commissioner Christy McCormick
Commissioner Benjamin W. Hovland
Maria Matthews, Esq., Director, Division of Elections, Florida Division of Elections

Attachment

McBRIDE, LOCK & ASSOCIATES, LLC

Certified Public Accountants

Established 1980

Performance Audit Report

**Administration of Election Security Payments Received Under the Help
America Vote Act by the Florida Department of State**

Prepared for

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

By

McBride, Lock & Associates, LLC

March 2021

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Performance Audit Report
Administration of Election Security Payments Received Under the Help
America Vote Act by the Florida Department of State

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

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 election security funds the Florida Department of State (Office) received between June 5, 2018 and September 30, 2019. The objective of the audit was to determine whether the Office used payments authorized by Sections 101 of the Help America Vote Act of 2002 (the HAVA) in accordance with HAVA and applicable requirements; properly accounted for and controlled the funds and property purchased with HAVA payments; and, used the funds in a manner consistent with the budget plan provided to EAC.

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

- Expend payments in accordance with Federal cost principles established by the Office of Management and Budget (OMB) – (2 CFR 200).
- Submit detailed annual financial reports on the use of Title I payments.
- Maintain documents and records subject to audit to determine whether payments were used in compliance with HAVA.

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 June 5, 2018 through September 30, 2019. The exceptions are as follows:

1. The Office did not earn interest on the Election Security grant funds placed in the election fund from the date of initial receipt, June 5, 2018, until the date the Office identified the error and made the correction, March 11, 2019.
2. Federal expenditures reported on the Federal Financial Reports (FFRs) was not supported in total by the supporting documentation provided by the state. The total federal expenditures as reported by the Office for the Election Security grant was \$17,240,566.

The total federal expenditures as documented on the Office's internal records was \$17,293,595, which is \$53,029 more than what was reported on the FFR as of September 30, 2019.

3. Our equipment testing sample included five invoices totaling \$751,738 of expenditures. Included in the \$751,738 were 136 items with a total cost of \$507,338. None of the 136 items, which all had a per unit cost in excess of \$1,000 were tracked in the state's financial system as property. To the extent that these items were not recorded in an inventory listing, they were not included as part of the annual physical inventory of all property.
4. The Office's monitoring of subrecipients did not ensure that property records were maintained in compliance with 2 CFR 200. Five out of 67 subrecipients were randomly selected for physical observation of equipment. The five subrecipients were the counties of Palm Beach, Broward, Lafayette, Duval and Miami-Dade. These five counties represented \$4,359,798 of the State's reported expenditures. The property records provided from three of the counties (Broward County, Duval County, Miami-Dade County) did not include all information required by 2 CFR 200. The property purchased by Lafayette County was not being kept on an inventory listing. Palm Beach County had no purchases in excess of their capitalization threshold. Forty-one items of equipment purchased with \$181,787 of Election Security funds was selected for observation. All items were determined to exist.

We have included in this report as Appendix A, the Department of State'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 grants to States authorized by HAVA under Title I, 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; developing a state plan for requirements payments; improving, acquiring, leasing, modifying, or replacing voting systems, and methods for casting and counting votes; improving the accessibility and quantity of polling places; and establishing toll-free telephone hotlines that voters may use.

The 2018 HAVA Election Security Grant also requires that states must:

- Provide matching funds equal to 5 percent of the total federal funds within two years of the award to be spent for activities for which Election Security Grants are made.
- Maintain all federal funds and state cash matching funds in the state election fund, as described in Section 104 (d) of HAVA, along with interest earned on the award's funds. States may also track eligible funds/activities from their state and local general operating budgets to meet the match obligations. State and local funds used for match must be different from funds used to meet Maintenance of Effort or state match associated with HAVA Requirement Payments.

The Awardee – The Florida Department of State

The HAVA funds were awarded to the Florida Department of State. The Florida Department of State Division of Elections provides administrative support to the Secretary of State, Florida's Chief Election Officer, to ensure that Florida has fair and accurate elections. The Division consists of three bureaus – the Bureau of Election Records, the Bureau of Voter Registration Services, and the Bureau of Voting Systems Certification. Through these bureaus and the director's office, the Division ensures compliance with the election laws, provides statewide coordination of election administration and promotes public participation in the electoral process. The Division also assists county Supervisors of Elections in their duties, including providing technical support.

Help America Vote Act State of Florida State Plan

The State of Florida's HAVA budget narrative was prepared by the Secretary of State. The main objectives of the project funded by HAVA, as set forth in the budget letter, are to work in partnership with local Supervisors of Elections to deploy the funds as rapidly as possible to strengthen the implementation of cybersecurity for election systems; enhance election technology; facilitate cybersecurity training for the state Chief Election Official's office and local election officials; implement established cybersecurity best practices for elections systems; continue election administration activities including, but not limited to, voter education, poll working training, and standardizing elections results reporting. Additionally funds will be used to upgrade election-related computer systems to address cyber vulnerabilities and all other election costs deemed necessary by the Department of State.

AUDIT OBJECTIVES

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

- a) Used funds for authorized purposes in accordance with Section 101 of HAVA and other applicable requirements;
- b) Properly accounted for and controlled property purchased with HAVA payments; and
- c) Used the funds in a manner consistent with the budget plan provided to EAC.

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:

- Expend payments in accordance with Federal cost principles established by the Office of Management and Budget (OMB) – (2 CFR 200).
- Submit detailed annual financial reports on the use of Title I payments.
- Maintain documents and records subject to audit to determine whether payments were used in compliance with HAVA.

SCOPE AND METHODOLOGY

We audited the Grant funds received and disbursed by the Office from June 5, 2018 through September 30, 2019. These funds are related to the appropriation of \$380 million under the Consolidated Appropriations Act (CAA), 2018 (P.L. 115-151). The scope of activity audited is shown in the following table:

<u>Description</u>	<u>Election Security Funds</u>
Funds Received from EAC	\$ 19,187,003
State Matching Funds	-
Program Income	<u>53,820</u>
Total Funds	\$ 19,240,823
Less Disbursements	<u>(17,293,595)</u>
Fund Balance	<u><u>\$ 1,947,228</u></u>

The Office’s expenditures detailed by budget and program category are included as Appendix C. The Office did not provide a detail of subgrant spending by program category, so that detail is not presented.

In planning and performing our audit, we identified the following internal control components and underlying internal control principles as significant to the audit objective:

Objective	Component	Principle
1	Control Activities	Selects and develops control activities Selects and develops general controls over technology Deploys through policies and procedures
	Information and Communication	Uses Relevant Information Communicates Internally
2	Control Activities	Selects and develops control activities Selects and develops general controls over technology Deploys through policies and procedures
	Information and Communication	Communicates Externally
3	Control Activities	Selects and develops control activities Selects and develops general controls over technology Deploys through policies and procedures

We assessed the design, implementation, and operating effectiveness of these internal controls and identified deficiencies that we believe could affect the Office’s ability to use funds for authorized purposes, and properly account for and control property. The internal control deficiencies we found are discussed in the Audit Results section of this report.

Additionally, for the components and principles which we determined to be significant, we assessed the internal controls and compliance with laws and regulations necessary to satisfy the audit objective.

However, because our review was limited to these internal control components and underlying principles, it may not have disclosed all internal control deficiencies that may have existed at the time of this audit.

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, we concluded that the Office accounted for HAVA funds in accordance with the requirements mentioned above, and used the funds in a manner consistent with the budget plan for the period from June 5, 2018 through September 30, 2019. However, the Office did not properly account for property purchased with HAVA payments. The exceptions to applicable compliance requirements are described below.

Finding No. 1 – Interest Earned on Election Fund

The Office did not earn interest on the Election Security grant funds placed in the election fund from the date of initial receipt, June 5, 2018, until the date the Office identified the error and made the correction, March 11, 2019.

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.

Election Security grant funds were not earning interest from June 5, 2018 to March 11, 2019. On March 11, 2019, the Office identified that interest was not being earned on the Election Security grant funds, and the funds were then invested and began earning interest.

The Office performed an analysis of estimated interest earned on the grant balance from June 5, 2018 through March 11, 2019. The Office's estimate of unearned interest was \$82,466. However, the Office's analysis did not consider the additional grant funds which would have been in the fund from March 12, 2019 through September 30, 2019 had the fund been earning interest since June 5, 2018.

Recommendation

1. We recommend that EAC review the Office's calculation of lost interest and require the Office to deposit to the Election Security grant fund the amount of interest funds lost due to the delay in interest being earned.

Department of State's Response:

The Department agrees with the finding and will implement the U.S. EAC recommendations.

The Department has established procedures for the receipt of federal funds into State Treasury. In this instance, those procedures were not followed. Internal review at the Department suggests that turnover in budget staff, changes to budget plans, and tight timelines all contributed to noncompliance with appropriate procedures in this instance.

In Florida, once the Department is notified of a federal grant award, the draw-down of federal funds should first be preceded by a budget amendment to the Governor's Office, to include a request for "purchase of investment" authority to place the funds in the State Treasury. Once the purchase of investment authority is approved, the Department's Finance and Accounting Office requests that the funds be drawn down. Thereafter, the funds are automatically deposited into an interest-bearing account specifically dedicated to the individual grant award.

Once the award is in hand, a subsequent budget amendment is required to include a request to spend the funds and plans for the use of the funds. Once authority to expend is approved either by the Governor if the request is for less than \$1 million, or if \$1 million or over, by the Legislature if in session, or the Legislative Budget Committee, if out of session, the funds can be expended. The Department's Finance and Accounting (F&A) completes a "dis-investment" draw down from the interest bearing account to the Department's subaccount for cash on hand in Treasury, which usually occurs within 1-2 business days. Once these actions are completed, F&A is able to process requests to expend at the state level or at the local level if part of a subgrant program. As set forth below, this process was not followed in its entirety.

On May 30, 2018, the Secretary of State submitted his request to the U.S. EAC for the funds. The funds were automatically deposited (or drawn down) on June 6, 2018 into the cash on hand account. The budget amendment preceding the Secretary's request did not include a "purchase of investment" as necessary to place the funds into an interest bearing account, once drawn down from the U.S. EAC. By the time the federal funds were requested, the Legislature had already adjourned its session and the interim Legislative Budget Committee (LBC) was not intending to meet until late fall. A revised budgetary amendment plan was prepared nonetheless in the hopes that the LBC might convene in time to implement a subgrant program and disburse funds. The LBC scheduled a meeting in late July 2018 and approved the revised budgetary plan. The funds were then deposited, in error, into a non-interest bearing account, as noted in the applicable finding. The Department began to immediately administer funds from the subgrant program for allowable expenses to ensure the security of the 2018 Primary Election held on August 28, and the 2018 General Election held on November 6, 2018. In late January 2019, the Department employees identified the error and took immediate action to correct it. A budget amendment was submitted to the Governor's Office on February 19, 2019. After a required 14-day review and consultation period, the budget amendment was approved on March 5, 2019. The remaining funds were placed in an interest-bearing account on March 7, 2019.

Based upon our review of the timeline and facts surrounding this error, the Department concluded that the compressed timeline, inadequate employee training and oversight, and rapidly changing budget plans all contributed to failure to comply with EAC requirements and existing Department policy. In addition to correcting this specific error, the Department also worked to improve its overall compliance and review system, by adding additional checks and internal audits within the financial areas of the Department.

Auditor's Response: The Office's response discusses the cause of the condition. The resolution process needs to ensure that a correct calculation of lost interest is made and deposited into the election fund.

Finding No. 2 –Financial Reporting of Federal Expenditures

Federal expenditures reported on the Federal Financial Reports (FFRs) was not supported in total by the supporting documentation provided by the state. The total federal expenditures as reported by the Office for the Election Security grant was \$17,240,566. The total federal expenditures as documented on the Office's internal records was \$17,293,595, which is \$53,029 more than what was reported on the FFR as of September 30, 2019.

The terms and conditions of the Election Security grant awards require the submission of an accurate and complete Federal Form 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 discrepancy was caused by the Office not having a procedure to reconcile the Election Security grant activity reported on the FFR to the ending Fund balance per their accounting system.

Proper reporting of all grant activity ensures that that the funds are tracked and spent in accordance with federal regulations.

Recommendation

We recommend that the EAC review and resolve the following recommendations that the Office:

2. Perform a reconciliation of the grant activity for the Election Security funds and ensure that all expenditures and program income earned are fully disclosed.
3. Prepare and submit a revised financial report to the EAC for Election Security funds and the prior HAVA fund activities as of September 30, 2019.

Department of State’s Response:

The Department agrees with the finding and will take the necessary steps to implement the U.S. EAC recommendations. The Department has already taken the steps to modify its past reporting methodology to conform with the recent changes in U. S. Election Assistance Commission’s HAVA reporting requirements. This includes reporting the balance invested in the interest-bearing State Treasury account, reporting the funds drawn down but not yet spent at the reporting end date, and reporting all federal expenditures and transactions, such as refunds, that decrease expenditures. This change in reporting methodology will more accurately align the balances calculated by the Department and the U.S. EAC.

Auditor’s Response: The resolution process needs to ensure that an accurate revised financial report is submitted for Election Security grant funds.

Finding No. 3 – Property Records and Annual Physical Inventory

Our equipment testing sample included five invoices totaling \$751,738 of expenditures. Included in the \$751,738 were 136 items with a total cost of \$507,338. None of the 136 items, which all had a per unit cost in excess of \$1,000, were tracked in the state’s financial system as property. To the

extent that these items were not recorded in an inventory listing, they were not included as part of the annual physical inventory of all property.

The Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) at 2 CFR 200.313(b) states that, “A state must use, manage and dispose of equipment acquired under a Federal award by the state in accordance with state laws and procedures.” Rule Chapter 69I-72.002, Florida Administrative Code (FAC) states that, “All tangible personal property with a value or cost of \$1,000 or more and having a projected useful life of one year or more shall be recorded in the state’s financial system as property for inventory purposes.” Further, 69I-72.006, FAC states that “Each custodian shall ensure that a complete physical inventory of all property is taken at least once each fiscal year.”

The Office states that these property items should have been tagged when originally invoiced by the Information Technology department. However, these property records were not maintained and a physical inventory was not performed for the purchase of items in excess of the capitalization threshold. The Office is currently working with General Services to appropriately tag all applicable items.

Proper tracking of property purchased with federal funds ensures that equipment is being used and disposed of in accordance with federal regulations and state laws and procedures.

Recommendation

We recommend that the EAC require the Office to:

4. Include all items purchased with federal funds on an inventory listing that is compliant with state laws and procedures.
5. Implement policies and procedures to ensure items purchased with federal funds that have a value or cost over \$1,000 are included in the state’s financial system as property and included in an annual physical inventory as required by state laws and procedures.

Department of State’s Response:

The Department agrees with the finding and will take the necessary steps to implement the U.S. EAC recommendations. The Department has also already initiated steps to identify property purchased with HAVA funds that meet the inventory threshold requirement and record the property into FLAIR:

1. Review and identify applicable vouchers (current and archived).
2. Obtain locations and accurate accounting codes for FLAIR input,
3. Process FLAIR transactions to add to Property Pending File (this is an overnight process)
4. Issue tag numbers within the General Services Office
5. Process FLAIR transactions to transfer property to Property Master File

Additionally, it has already reviewed and updated its policies and procedures as needed to meet the recommendations including the formal designation of property custodians within the Department.

Auditor’s Response: The proposed corrective actions, if implemented, will be sufficient to resolve the finding.

Finding No. 4 – Subrecipient Monitoring

The Office’s monitoring of subrecipients did not ensure that property records were maintained in compliance with 2 CFR 200. Five out of 67 subrecipients were randomly selected for physical observation of equipment. The five subrecipients were the counties of Palm Beach, Broward, Lafayette, Duval and Miami-Dade. These five counties represented \$4,359,798 of the State’s reported expenditures. The property records provided from three of the counties (Broward County, Duval County, Miami-Dade County) did not include all information required by 2 CFR 200. The property purchased by Lafayette County was not being kept on an inventory listing. Palm Beach County had no purchases in excess of their capitalization threshold. Forty-one items of equipment purchased with \$181,787 of Election Security funds was selected for observation. All items were determined to exist.

The Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) at 2 CFR 200.331 (d) states that all pass-through entities must: “Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved.” 2 CFR 200.313(d)(1) requires that “property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the FAIN), who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, 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 Office did not perform activity monitoring sufficient to ensure that subrecipients were maintaining property records in compliance with Federal statutes and the terms and conditions of the subaward resulting in the following:

- Broward County’s inventory listing is limited to the item description, serial number, and location.
- Duval County’s inventory listing included item description, serial number and location.
- Miami-Dade County kept two sets of property records, one included item description, serial number and cost of the property, and the other included item description, serial number, and location.
- Lafayette County’s inventory listing did not include any items purchased with the Election security grant funds.

Proper monitoring of subrecipients ensures that equipment purchased with federal funds is being used and disposed of in accordance with federal regulations.

Recommendation

6. We recommend that the EAC address and resolve the following recommendations that the Office implement procedures to ensure that all subrecipients are properly monitored and all property purchased with federal funds is placed on a compliant property record.

Department of State's Response:

The Department agrees with the finding and will take the necessary steps to implement the U.S. EAC recommendations.

The Department recently send an email reminder (March 15, 2021) to all 67 county Supervisors of Elections to remind them of the continuing requirement under 2 C.F.R. 200.313(d)(1) to inventory items purchased with federal funds whose value or cost meet or exceed the applicable threshold for inventory. Additionally, the email provided a sample property inventory form that could be used to keep track of the required information. The Department has already begun to review its current template for subgrant agreements and will involve the Inspector General and the General Counsel's office to ensure that provisions therein are consistent with federal and state audit requirements. The Department will be implementing a more robust post-grant monitoring effort of subgrant awards to include a random sample of 10% of the subrecipients.

Auditor's Response: The proposed corrective actions, if implemented, will be sufficient to resolve the finding.

The Office responded on March 22, 2021 and generally agreed with the report's findings and recommendations. The EAC responded on March 25, 2021 and stated they will work with the Florida Department of State to implement and complete appropriate corrective action on the findings. The Office'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 December 13, 2019 and March 22, 2021.

McBride, Lock & Associates, LLC

McBride, Lock & Associates, LLC
Kansas City, Missouri
March 22, 2021

APPENDIX A-1

**Response of the
Florida Department of State
to the Draft Report**



FLORIDA DEPARTMENT *of* STATE

RON DESANTIS
Governor

LAUREL M. LEE
Secretary of State

March 22, 2021
(via email as scanned attachment)

Patricia Layfield, Inspector General
Office of the Inspector General
U.S. Election Assistance Commission
633 3rd Street, NW Suite 200
Washington, DC 20001

Dear Inspector Layfield:

We have reviewed the draft report entitled *Performance Audit Report-Administration of Payments Received Under the Help America Vote Act by the Florida Department of State*, dated March 2021. We thank you for the opportunity to provide the Florida Department of State ("the Department") the written responses to findings and recommendations made pursuant to the audit conducted on behalf of the U.S. Election Assistance Commission.

EAC Finding No. 1

Response: The Department agrees with the finding and will implement the U.S. EAC recommendations.

The Department has established procedures for the receipt of federal funds into State Treasury. In this instance, those procedures were not followed. Internal review at the Department suggests that turnover in budget staff, changes to budget plans, and tight timelines all contributed to noncompliance with appropriate procedures in this instance.

In Florida, once the Department is notified of a federal grant award, the draw-down of federal funds should first be preceded by a budget amendment to the Governor's

Office, to include a request for “purchase of investment” authority to place the funds in the State Treasury. Once the purchase of investment authority is approved, the Department’s Finance and Accounting Office requests that the funds be drawn down. Thereafter, the funds are automatically deposited into an interest-bearing account specifically dedicated to the individual grant award.

Once the award is in hand, a subsequent budget amendment is required to include a request to spend the funds and plans for the use of the funds. Once authority to expend is approved either by the Governor if the request is for less than \$1 million, or if \$1 million or over, by the Legislature if in session, or the Legislative Budget Committee, if out of session, the funds can be expended. The Department’s Finance and Accounting (F&A) completes a “dis-investment” draw down from the interest bearing account to the Department’s subaccount for cash on hand in Treasury. which usually occurs within 1-2 business days. Once these actions are completed, F&A is able to process requests to expend at the state level or at the local level if part of a subgrant program. As set forth below, this process was not followed in its entirety.

On May 30, 2018, the Secretary of State submitted his request to the U.S. EAC for the funds. The funds were automatically deposited (or drawn down) on June 6, 2018 into the cash on hand account. The budget amendment preceding the Secretary’s request did not include a “purchase of investment” as necessary to place the funds into an interest bearing account, once drawn down from the U.S. EAC. By the time the federal funds were requested, the Legislature had already adjourned its session and the interim Legislative Budget Committee (LBC) was not intending to meet until late fall. A revised budgetary amendment plan was prepared nonetheless in the hopes that the LBC might convene in time to implement a subgrant program and disburse funds. The LBC scheduled a meeting in late July 2018 and approved the revised budgetary plan. The funds were then deposited, in error, into a non-interest bearing account, as noted in the applicable finding. The Department began to immediately administer funds from the subgrant program for allowable expenses to ensure the security of the 2018 Primary Election held on August 28, and the 2018 General Election held on November 6, 2018. In late January 2019, the Department employees identified the error and took immediate action to correct it. A budget amendment was submitted to the Governor’s Office on February 19, 2019. After a required 14-day review and consultation period, the budget amendment was approved on March 5, 2019. The remaining funds were placed in an interest-bearing account on March 7, 2019.

Based upon our review of the timeline and facts surrounding this error, the Department concluded that the compressed timeline, inadequate employee training and oversight, and rapidly changing budget plans all contributed to failure to comply with EAC requirements and existing Department policy. In addition to correcting this specific

error, the Department also worked to improve its overall compliance and review system, by adding additional checks and internal audits within the financial areas of the Department.

EAC Finding No. 2

Response: The Department agrees with the finding and will take the necessary steps to implement the U.S. EAC recommendations. The Department has already taken the steps to modify its past reporting methodology to conform with the recent changes in U. S. Election Assistance Commission's HAVA reporting requirements. This includes reporting the balance invested in the interest-bearing State Treasury account, reporting the funds drawn down but not yet spent at the reporting end date, and reporting all federal expenditures and transactions, such as refunds, that decrease expenditures. This change in reporting methodology will more accurately align the balances calculated by the Department and the U.S. EAC.

EAC Finding No. 3

Response: The Department agrees with the finding and will take the necessary steps to implement the U.S. EAC recommendations. The Department has also already initiated steps to identify property purchased with HAVA funds that meet the inventory threshold requirement and record the property into FLAIR:

1. Review and identify applicable vouchers (current and archived).
2. Obtain locations and accurate accounting codes for FLAIR input,
3. Process FLAIR transactions to add to Property Pending File (this is an overnight process)
4. Issue tag numbers within the General Services Office
5. Process FLAIR transactions to transfer property to Property Master File

Additionally, it has already reviewed and updated its policies and procedures as needed to meet the recommendations including the formal designation of property custodians within the Department.

EAC Finding No. 4

Response: The Department agrees with the finding and will take the necessary steps to implement the U.S. EAC recommendations.

FL DOS Response to U.S. EAC Audit
22 March 2021

The Department recently send an email reminder (March 15, 2021) to all 67 county Supervisors of Elections to remind them of the continuing requirement under 2 C.F.R. 200.313(d)(1) to inventory items purchased with federal funds whose value or cost meet or exceed the applicable threshold for inventory. Additionally, the email provided a sample property inventory form that could be used to keep track of the required information. The Department has already begun to review its current template for subgrant agreements and will involve the Inspector General and the General Counsel's office to ensure that provisions therein are consistent with federal and state audit requirements. The Department will be implementing a more robust post-grant monitoring effort of subgrant awards to include a random sample of 10% of the subrecipients.

Again, we look forward to continue to work with the U.S. Election Assistance Commission as to the recommendations.

Respectfully,

A handwritten signature in blue ink, appearing to read 'M. Matthews', is written over a light blue circular stamp.

Maria Matthews, Esq.
Director, Division of Elections

Pc: Secretary of State Laurel M. Lee
Assistant Secretary of State Jennifer Kennedy
Candie Fuller, Inspector General
John Boynton, Chief Operating Officer

APPENDIX A-2

**Response of the
U.S. Election Assistance Commission
to the Draft Report**



U.S. ELECTION ASSISTANCE COMMISSION
633 3rd Street, NW Suite 200
Washington, DC 20001

TO: Patricia Layfield
Inspector General

FROM: Mona Harrington
Executive Director
Mona Harrington

DATE: March 25, 2021

RE: Response to the Draft Performance Audit Report, *Administration of Payments Received under the Help America Vote Act by the Florida Department of State*

Thank you for the opportunity to respond to the draft performance audit report of EAC's grant funds to Florida.

We appreciate the auditor's findings and recommendations and note that the state described its planned and completed actions in its response to the draft audit. We are requesting a revised 2019 Federal Financial Report and will work with the state to implement and complete appropriate corrective action on the remaining findings.

AUDIT SCOPE AND 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.

As part of our audit, we gained an overall understanding of the internal control environment at the Office. Based on this understanding, we identified certain internal controls that we considered to be significant (or key controls) to achieving each objective. All components of internal control are relevant, but not all may be significant. Significance is defined as the relative importance of a matter within the context in which it is being considered, and is a matter of professional judgment. We made the following determination as to the significance of the underlying internal control principles:

	Objective		
	1	2	3
Control Environment			
1 Demonstrates Commitment to integrity and ethical values	No	No	No
2 Exercises oversight responsibility	No	No	No
3 Establishes structure, authority, and responsibility	No	No	No
4 Demonstrates commitment to competence	No	No	No
5 Enforces accountability.	No	No	No
Risk Assessment			
6 Specifies suitable objectives	No	No	No
7 Identifies and analyzes risk	No	No	No
8 Assesses fraud risk	No	No	No
9 Identifies and analyzes significant change	No	No	No
Control Activities			
10 Selects and develops control activities	Yes	Yes	Yes
11 Selects and develops general controls over technology	Yes	Yes	Yes
12 Deploys through policies and procedures	Yes	Yes	Yes
Information and Communication			
13 Uses relevant information	Yes	No	No
14 Communicates internally	Yes	No	No
15 Communicates externally	No	Yes	No
Monitoring			
16 Conducts ongoing and/or separate evaluations	No	No	No
17 Evaluates and communicates deficiencies	No	No	No

The significance was determined as follows:

Objective 1: Control Activities and its underlying principles were deemed to be significant to our determination of the awardee’s compliance with the objective. The Control Activities component includes the design and implementation of specific tasks performed by individuals within the entity to fulfill their duties and responsibilities and to respond to identified risks. These principles address the design and implementation of activities related to management review, segregation of duties (including restriction of access with the information system), and documentation of internal controls and transactions. We determined these principles to be the most significant to the state’s proper use of funds and compliance with award requirements.

The Information and Communication principles of Use Relevant Information and Communicate Internally were deemed to be significant to our determination of the awardee’s compliance with the federal financial reporting portion of this objective. These principles address the relevance of the information and the internal communication processes used to compile the data necessary to meet the state’s reporting objectives.

Objective 2: Control Activities and its underlying principles were deemed to be significant to our determination of the awardee's compliance with the objective. The Control Activities component includes the design and implementation of specific tasks performed by individuals within the entity to fulfill their duties and responsibilities and to respond to identified risks. These principles address the design and implementation of activities related to management review, segregation of duties (including restriction of access with the information system), and documentation of internal controls and transactions. We determined these principles to be the most significant to the state's proper accounting and control over equipment purchased with HAVA funds.

The Information and Communication principle of Communicate Externally was deemed to be significant to our determination of the awardee's compliance with the objective because the state communicated with and relied on information from the equipment vendor and the counties where the equipment is located as part of the control system for accounting and controlling equipment purchased with HAVA funds.

Objective 3: Control Activities and its underlying principles were deemed to be significant to our determination of the awardee's compliance with the objective. The Control Activities component includes the design and implementation of specific tasks performed by individuals within the entity to fulfill their duties and responsibilities and to respond to identified risks. These principles address the design and implementation of activities related to management review, segregation of duties (including restriction of access with the information system), and documentation of internal controls and transactions. We determined these principles to be the most significant to the state's use of funds in a manner consistent with the plans provided to EAC.

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 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 Office management and accounting systems as they relate to the administration of the HAVA program.
- 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 using funds in a manner consistent with the budget plan provided to EAC.
- Verified the establishment and maintenance of an election fund.
- Observed the physical security/safeguards of selected equipment purchased with HAVA funds and ensure compliance with federal regulation.
- Verified whether the matching requirement was met and, if so, that 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.

**EXPENDITURES BY BUDGET CATEGORY AND PROGRAM CATEGORY
JUNE 5, 2018 TO SEPTEMBER 30, 2019**

Budget Categories	Program Categories						Total
	Voting Equipment	Election Auditing	Voter Registration Systems	Cyber Security	Communications	Other	
Personnel (Including Fringe)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Equipment	-	-	-	969,474	-	-	969,474
Subgrants	-	-	-	-	-	15,166,647	15,166,647
Training	-	-	-	-	236,078	-	236,078
All Other Costs	-	-	-	921,396	-	-	921,396
Total Direct Costs	\$ -	\$ -	\$ -	\$ 1,890,870	\$ 236,078	\$ 15,166,647	\$ 17,293,595
Indirect Costs (if applied)	-	-	-	-	-	-	-
Total Federal Expenditures	\$ -	\$ -	\$ -	\$ 1,890,870	\$ 236,078	\$ 15,166,647	\$ 17,293,595
Non-Federal Match	-	-	-	-	-	-	-
Total Program Expenditures	\$ -	\$ -	\$ -	\$ 1,890,870	\$ 236,078	\$ 15,166,647	\$ 17,293,595

MONETARY IMPACT AS OF SEPTEMBER 30, 2019

Description	Questioned Costs	Unsupported Costs	Additional Funds for Program
Lost Interest Earnings	\$ -	\$ -	\$ 82,466
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 82,466</u>

Note: The lost interest earnings calculation was determined by the Office and should be verified in accordance with the recommendation identified in Finding No. 1.



Inspector General

U.S. Election Assistance Commission

This report, as well as other OIG reports and testimony, are available on the internet at:
[EAC OIG Reports Page](#)