

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



**Administration of Payments Received
Under the Help America Vote Act by
the Arkansas Secretary 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: February 2, 2021

Subject: Final Performance Audit Report – Administration of Payments Received Under the Help America Vote Act by the Arkansas Secretary of State (Assignment Number E-HP-AR-08-20)

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 Arkansas Secretary of State (ARSOS). The audit scope covered the grant funds received and disbursed by the ARSOS, from June 11, 2018 through September 30, 2019. The \$4.5 million in funds paid to the ARSOS represented Arkansas' share of the appropriation of \$380 million under the Consolidated Appropriations Act of 2018 (P.L. 115-151). ARSOS expended approximately \$4.6 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 the Office accounted for HAVA funds in accordance with applicable requirements 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 expend HAVA funds in accordance with the requirements mentioned above or properly account for property purchased with HAVA payments. The exceptions are as follows:

1. The Office was not able to timely provide bid evaluation documentation for the seven invoices selected for disbursement testing. The seven invoices totaled \$1,757,984. The seven invoices were selected from a population of 21 disbursements totaling

\$4,382,852 for the purchase of election systems. All disbursements were purchased from the same contract, therefore all \$4,382,852 is considered unsupported. The Office indicated during fieldwork that the documentation no longer existed.

2. MLA's sample of disbursements included the purchase of 87 digital scanners. None of the digital scanners, which had a per unit cost in excess of \$5,000 were tracked in the Arkansas Administrative Statewide Information System (AASIS). The digital scanners had a base cost of \$5,635 per unit, for a total pre-discount price of \$490,245. 67 of the 87 digital scanners were selected to be viewed and were determined to exist.

The Office stated in their response that they contacted the former Chief Deputy Secretary of State and were able to obtain bid evaluation scoring sheets for all three (3) election system vendors whose bids were considered, together with a summary sheet documenting the highest scorer. They provided a compilation of the spreadsheets and copies of the scoring sheets to the auditors as attachments to their response to the draft report. However, the information, which was requested in January 2020, was not provided until December 2020 in spite of repeated requests. The auditors were not able to perform audit procedures on the information during the course of the audit and were thus not able to conclude on the sufficiency and appropriateness of the information provided. We are referring the issue to the EAC for adjudication of the questioned costs as part of its audit follow-up process.

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 concerning the status of your audit follow-up on the findings and recommendation included in this report by March 15, 2021. Your response should include information on actions taken or planned, targeted completion dates, and titles of officials responsible for 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 NMSOS' internal controls or compliance.

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 Benjamin W. Hovland, Chair
Commissioner Donald L. Palmer, Vice-Chair
Commissioner Thomas Hicks
Commissioner Christy McCormick
Bill Huffman, Chief Deputy Secretary of State, Office of New Mexico Secretary of State
Dwight Southerland, Deputy Secretary of State, Chief of Staff, Office of Arkansas
Secretary of State
Kurt Naumann, Director of Government Affairs, Office of Arkansas Secretary of State

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 Arkansas Secretary of State**

Prepared for

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

By

McBride, Lock & Associates, LLC

November 2020

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

TABLE OF CONTENTS

	<u>Page</u>
EXECUTIVE SUMMARY	1
BACKGROUND	2
AUDIT OBJECTIVES	3
SCOPE AND METHODOLOGY	4
AUDIT RESULTS	5
APPENDICES:	
Appendix A-1: Response of the Arkansas Secretary of State to the Draft Report	
Appendix A-2: Response of the U.S. Election Assistance Commission to the Draft Report	
Appendix B: Audit Scope and Methodology	
Appendix C: Expenditures by Budget Category and Program Category	
Appendix D: Monetary Impact as of September 30, 2019	

**U.S. Election Assistance Commission
Performance Audit Report
Administration of Election Security Payments Received Under the Help
America Vote Act by the Arkansas Secretary 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 Arkansas Secretary of State's Office (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, 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 expend HAVA funds in accordance with the requirements mentioned above or account for property purchased with HAVA payments. The exceptions are as follows:

1. The Office was not able to timely provide bid evaluation documentation for the seven invoices selected for disbursement testing. The seven invoices totaled \$1,757,984. The seven invoices were selected from a population of 21 disbursements totaling \$4,382,852. All disbursements were purchased from the same contract, therefore all \$4,382,852 is considered unsupported. The Office indicated during fieldwork that the documentation no longer existed.

2. Our sample of disbursements included the purchase of 87 digital scanners. None of the digital scanners, which had a per unit cost in excess of \$5,000 were tracked in the Arkansas Administrative Statewide Information System (AASIS). The digital scanners had a base cost of \$5,635 per unit, for a total pre-discount price of \$490,245. 67 of the 87 digital scanners were selected to be viewed and were determined to exist.

We have included in this report as Appendix A, the Secretary 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 Arkansas Secretary of State

The HAVA funds were awarded to the Arkansas Secretary of State. The Arkansas Secretary of State Elections Division maintains the state's election records, and assists county officials with conducting federal, state and district elections.

The division helps to ensure compliance with federal election laws such as the National Voter Registration Act and the Help America Vote Act, plays a central role in establishing and maintaining Arkansas's uniform statewide voter registration system, and continues to help oversee training on the state's electronic voting systems.

Help America Vote Act State of Arkansas State Plan

The State of Arkansas's HAVA budget narrative was prepared by the Chief Deputy Secretary of State. The main objectives of the project funded by HAVA, as set forth in the budget letter, were to replace the old equipment with the new integrated election equipment system. The state decided to place emphasis on ensuring the three counties in the state which lacked any ballot or paper trail were upgraded to the new system. Each of those three counties was offered a proposal by the Secretary of State to provide 100% funding of their equipment to ensure the county could afford to have their equipment replaced. The remaining HAVA funding was offered to the remaining counties who had as yet not upgraded their equipment. In total, equipment was purchased for 21 counties with federal funds, plus state funds were used to purchase equipment for another County which was used to meet the State's 5% matching requirement.

AUDIT OBJECTIVES

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

1. Used funds for authorized purposes in accordance with Section 101 of HAVA and other applicable requirements;
2. Properly accounted for and controlled property purchased with HAVA payments; and
3. 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	\$ 4,475,015
State Matching Funds	223,751
Program Income	<u>31,614</u>
Total Funds	\$ 4,730,380
Less Disbursements	<u>(4,606,603)</u>
Fund Balance	<u><u>\$ 123,777</u></u>

The Office's expenditures detailed by budget and program category are included as Appendix C.

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

<u>Objective</u>	<u>Component</u>	<u>Principle</u>
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 expend HAVA funds in accordance with the requirements mentioned above or account for property purchased with HAVA payments. The exceptions to applicable compliance requirements are described below.

Finding No. 1 – Unsupported Costs

The Office was not able to timely provide bid evaluation documentation for the seven invoices selected for disbursement testing. The seven invoices totaled \$1,757,984. The seven invoices were selected from a population of 21 disbursements totaling \$4,382,852. All disbursements were purchased from the same contract, therefore all \$4,382,852 is considered unsupported. The Office indicated during fieldwork that the documentation no longer existed.

The *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) 2 CFR 200.403 states, “Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal Awards: (g) Be adequately documented.”

Further, Uniform Guidance 2 CFR 200.333 states that, “Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report.”

The Office made all purchases via a contract for which they could not provide documentation of the bid evaluation during audit fieldwork. The contract, awarded to ES&S in 2015, was supported with a Request for Proposal, the responsive bids, and the Question and Answers. However, the Office was unable to timely provide the bid evaluation documentation to determine how ES&S was selected rather than the other responsive bids.

Adequately documenting the procurement of all contractual services and goods through full and open competition helps prevent misuse of federal funds and ensures that responsive bidders are selected for goods and services needed for HAVA purposes.

Recommendation

1. We recommend that the EAC determine whether to require the Office to transfer to the election fund \$4,382,852 for the unsupported cost cited above by reviewing the adequacy of the bid evaluation documentation provided by the Office in December 2020.

Secretary of State Response:

As stated in the draft audit report, the Secretary of State's Office was unable to provide auditors with bid evaluation documentation regarding the selection of Election Systems & Software (ES&S) for the purchase of election equipment totaling \$4,382,852.

After subsequently contacting the former Chief Deputy Secretary of State, we were able to obtain bid evaluation scoring sheets for all three (3) vendors (Unisyn, ES&S, and Hart Intercivic) and a summary sheet documenting ES&S as the highest scorer. A compilation of these spreadsheets is attached for your reference.

Auditor's Response:

We appreciate the Secretary of State's Office providing the documentation of the evaluation of the responsive bids received for election equipment, which was initially requested in January 2020. Since this information was not provided until December 2020 in response to the issuance of the draft performance audit report, we were not able to perform audit procedures and therefore we are not able to conclude on the sufficiency and appropriateness of the information provided.

Finding No. 2 – Property Records

Our sample of disbursements included the purchase of 87 digital scanners. None of the digital scanners, which had a per unit cost in excess of \$5,000 were tracked in the Arkansas Administrative Statewide Information System (AASIS). The digital scanners had a base cost of \$5,635 per unit, for a total pre-discount price of \$490,245. 67 of the 87 digital scanners were selected to be viewed and were determined to exist.

The Uniform Guidance at 2 CFR 200.313(d)(1) states 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." 2 CFR 200.33 defines equipment as "tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the non-Federal entity for financial statement purposes,

or \$5,000.” The Office has adopted a policy in which it will follow the Department of Finance and Administration (“DFA”) guidelines with respect to Inventory Policy and Tracking. The DFA Capital Asset Guidelines state that All On-line User Agencies and Service Bureau Agencies are required to record their asset inventory in the AASIS system based on established tracking and capitalization thresholds found herein. Equipment’s capitalization threshold is detailed as \$5,000.

The Office applied the entire vendor discount to the single line item of the purchase in excess of \$5,000 so that the Office would not need to track the equipment in AASIS. The discount was received for equipment that was traded in at the time of the purchase. When the discount is allocated across all items, along with the sales tax on the purchase price, the per unit cost is in excess of \$5,000 for all purchases reviewed by the audit.

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

Recommendation

We recommend that the EAC require the Office to:

2. Implement a policy to allocate vendor discounts and sales tax across the entire purchase, not just against a single line-item
3. Include all items with per unit costs in excess of \$5,000 and purchased with federal funds, in the AASIS system in accordance with State policy.

Secretary of State Response:

The Secretary of State, as a constitutional office, is permitted to establish internal fiscal policies that may reasonably differ from the *Financial Management Guide* published for state agencies by the Arkansas Department of Finance and Administration. The practice of applying vendor discounts and sales tax against certain capital purchases has been vetted with the Department of Finance and Administration and has been discussed with Arkansas Legislative Audit during required annual audits with no findings or recommendations to do otherwise issued.

Therefore, it is our position that this method of valuation is valid policy and that the application of vendor discounts and state taxes to the purchase of the digital scanners should be acceptable.

As previously stated, the Secretary of State may establish fiscal policies that differ from state guidelines. Because of this, we are not mandated to use AASIS, but do record inventory in another application named FasGov. We have attached screen shots from FasGov that show the recording and tracking of all 87 voting machines purchased with federal funds for each of the counties in question.

These machines were purchased and tagged with Secretary of State tag numbers. All tag numbers and serial numbers were recorded in FasGov prior to transferring ownership to the counties in question. At the time of transfer, a list of all tag and serial numbers was provided to the respective county judge who was required to sign documentation indicating receipt of transferred equipment.

Upon transfer, counties take full ownership of the equipment and assume responsibility for maintaining and tracking equipment. However, the recording of items with tag and serial numbers enables our office to conduct an inventory of HAVA purchased equipment at any time.

Auditor's Response:

The practice of assigning vendor discounts to only certain items on multi-item purchases is not a best practice. We would recommend that EAC ensure that this internal policy has been formalized by the Office and accepted as appropriate by the authorizing bodies.

The Secretary of State's office may establish policies that differ from state guidelines. The "Secretary of State Capital Asset Memo" states that the Office "follows DF&A's policies for capital outlay...The Accounting Department records the capitalized fixed asset in AASIS," it was our expectation that the items would be recorded in AASIS.

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

The Office responded on December 14, 2020 and generally disagreed with the report's findings and recommendations. The EAC responded on December 17, 2020 and stated they will work with the Arkansas Secretary of State's office to ensure appropriate correction actions are taken. 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 6, 2019 and November 16, 2020.

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

McBride, Lock & Associates, LLC
Kansas City, Missouri
November 16, 2020

APPENDIX A-1

**Response of the Arkansas
Secretary of State to the Draft Report**



JOHN THURSTON
ARKANSAS SECRETARY OF STATE

December 14, 2020

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

Re: Response to Draft Performance Audit Report – Administration of Payments Received Under the Help America Vote Act by the Arkansas Secretary of State

Dear Ms. Layfield,

Thank you for providing us the opportunity to respond to recommendations delineated in the above-referenced audit report. Please find below our responses to each of the three (3) audit recommendations with supporting documentation attached as indicated.

Recommendation 1: We recommend that the EAC require the Office to transfer to the election fund \$4,382,852 for the unsupported cost cited above.

Response 1: As stated in the draft audit report, the Secretary of State's Office was unable to provide auditors with bid evaluation documentation regarding the selection of Election Systems & Software (ES&S) for the purchase of election equipment totaling \$4,382,852.

After subsequently contacting the former Chief Deputy Secretary of State, we were able to obtain bid evaluation scoring sheets for all three (3) vendors (Unisyn, ES&S, and Hart Intercivic) and a summary sheet documenting ES&S as the highest scorer. A compilation of these spreadsheets is attached for your reference.

Recommendation 2: Implement a policy to allocate vendor discounts and sales tax across the entire purchase, not just against a single line-item.

Response 2: The Secretary of State, as a constitutional office, is permitted to establish internal fiscal policies that may reasonably differ from the *Financial Management Guide* published for state agencies by the Arkansas Department of Finance and Administration. The practice of applying vendor discounts and sales tax against certain capital purchases has been vetted with the Department of Finance and Administration and has been discussed with Arkansas Legislative Audit during required annual audits with no findings or recommendations to do otherwise issued.

Therefore, it is our position that this method of valuation is valid policy and that the application of vendor discounts and state taxes to the purchase of the digital scanners should be acceptable.

Recommendation 3: Include all items with per unit costs in excess of \$5,000 and purchased with federal funds, in the AASIS system in accordance with State policy.

Response 3: As previously stated, the Secretary of State may establish fiscal policies that differ from state guidelines. Because of this, we are not mandated to use AASIS, but do record inventory in another application named FasGov. We have attached screen shots from FasGov that show the recording and tracking of all 87 voting machines purchased with federal funds for each of the counties in question.

These machines were purchased and tagged with Secretary of State tag numbers. All tag numbers and serial numbers were recorded in FasGov prior to transferring ownership to the counties in question. At the time of transfer, a list of all tag and serial numbers was provided to the respective county judge who was required to sign documentation indicating receipt of transferred equipment.

Upon transfer, counties take full ownership of the equipment and assume responsibility for maintaining and tracking equipment. However, the recording of items with tag and serial numbers enables our office to conduct an inventory of HAVA-purchased equipment at any time.

Should you have any questions regarding our response or need additional information, feel free to contact me. Thank you again for allowing us to respond.

Sincerely,


Bill Huffman
Chief Deputy

Attachments

Cc: Aaron Rhodenbaugh
Kinza Ghaznavi

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: December 17, 2020

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

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

We appreciate the auditor's detailed findings and recommendations and will work with the Arkansas Secretary of State's office to ensure appropriate correction actions are taken in a timely manner.

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	4,382,852	-	-	-	-	-	4,382,852
Subgrants	-	-	-	-	-	-	-
Training	-	-	-	-	-	-	-
All Other Costs	-	-	-	-	-	-	-
Total Direct Costs	\$ 4,382,852	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,382,852
Indirect Costs (if applied)	-	-	-	-	-	-	-
Total Federal Expenditures	\$ 4,382,852	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,382,852
Non-Federal Match	223,751	-	-	-	-	-	223,751
Total Program Expenditures	\$ 4,606,603	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,606,603

MONETARY IMPACT AS OF SEPTEMBER 30, 2019

Description	Questioned Costs	Unsupported Costs	Additional Funds for Program
Purchase of Equipment	\$ 4,382,852	\$ 4,382,852	\$ -
Total	<u>\$ 4,382,852</u>	<u>\$ 4,382,852</u>	<u>\$ -</u>



Inspector General

U.S. Election Assistance Commission

This report, as well as other OIG reports and testimony, are available on the internet at:
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