



U.S. ELECTION ASSISTANCE COMMISSION  
1225 NEW YORK AVENUE, N.W., SUITE 1100  
WASHINGTON, D.C. 20005

March 21, 2007

Jean R. Jensen  
Secretary, Virginia State Board of Elections  
200 North Ninth Street, Suite 101  
Richmond, Virginia 23219-3485

Dear Secretary Jensen:

Attached is the final audit resolution report of the U.S. Election Assistance Commission (EAC) regarding the single audit of Help America Vote Act (HAVA) funds expended by the Virginia State Board of Elections. The resolution is based upon the information provided by the audit conducted by the Auditor of Public Accounts for the Commonwealth of Virginia.

After careful consideration of all the facts presented, EAC has determined that both reportable conditions identified during the single audit have been appropriately resolved and no further action is required.

If the state believes that anything in this final management decision is an adverse action and the state does not agree, the state shall have 30 days to appeal EAC's management decision. The appeal must be made in writing to the Chairman of the EAC. Within 30 days of receiving the appeal, the Commission may hold a hearing to consider the appeal, take evidence or testimony related to the appeal, and render a decision on the appeal, if appropriate at that time. The Commission will render a final and binding decision on the appeal no later than 60 days following the receipt of the appeal or the receipt of any requested additional information. If the state does not file an appeal, this decision will become final and binding at the expiration of the appeal period.

We appreciate your cooperation in this matter as we work together to ensure that HAVA funds are used in accordance with the law.

Sincerely,

A handwritten signature in black ink, appearing to read "T. Wilkey", written over a large, stylized "W" or "J" shape.

Thomas R. Wilkey  
Executive Director



U.S. ELECTION ASSISTANCE COMMISSION  
1225 New York Ave. NW – Suite 1100  
Washington, DC 20005

**Final Audit Resolution Report**  
**Virginia Single Audit – Assignment No. E-SA-VA-50-06**  
**Issued March 21, 2007**

**Summary of Decision**

EAC has determined that both reportable conditions identified during the single audit have been appropriately resolved and no further action is required.

**Background**

The U.S. Election Assistance Commission (EAC or Commission) is an independent, bipartisan agency created by Help of America Vote Act of 2002 (HAVA). It assists and guides state and local election administrators in improving the administration of elections for federal office. EAC provides assistance by dispersing federal funds to states to implement HAVA requirements, adopting the voluntary voting system guidelines, and serving as a national clearinghouse and resource of information regarding election administration. EAC is also responsible for the accreditation of testing laboratories and the certification, decertification, and recertification of voting systems.

In addition to EAC's role in distributing HAVA funds, the agency is responsible for monitoring the fiscally responsible use of HAVA funding by the states. The EAC seeks to ensure funds distributed under HAVA are being utilized for the purposes mandated by HAVA to ultimately improve the administration of federal elections. To fulfill this responsibility, the EAC conducts periodic fiscal audits of state HAVA fund expenditures and determines the any corrective actions necessary to resolve issues identified during audits. EAC is also responsible for resolving issues identified during state single audits conducted under the Single Audit Act. The EAC Office of Inspector General (OIG) has established a regular audit program in order to review the use of HAVA funds by states. The OIG's audit plan and audit findings can be found at [www.eac.gov](http://www.eac.gov).

The Audit Follow-up Policy approved by the Commission authorizes the EAC Executive Director to issue the management decision for external audits and single audits. The Executive Director has delegated the evaluation of final audit reports provided by the OIG and single audit reports issued by the states to the EAC Programs and Services Division. The Division provides a recommended course of action to the Executive Director for resolving questioned costs, administrative deficiencies, and other issues identified during an audit. The EAC Executive Director issues a Final Audit Resolution (management decision) that addresses the findings of the audit and details corrective measures to be taken by the state.

When an audit identifies questioned costs, the EAC considers not only whether the state followed proper procurement procedures, but also whether the expenditures actually served to further the goals of HAVA. EAC has identified three methods of resolution regarding questioned costs: 1) Expenditures that were identified as permissible under HAVA and federal cost principles, but did not follow appropriate procedures do not have to be repaid; 2) Expenditures that may have been permissible under HAVA but lacked adequate documentation must be repaid to the state election fund, which was created in accordance with HAVA section 254(b)(1); and 3) Expenditures that were clearly not permissible under HAVA or federal cost principles must be repaid to the U.S. Treasury. In addition to repayment of funds, the EAC may require future reporting by a state to ensure that proper internal controls and procedures have been established to prevent future problems.

States may appeal the EAC management decision. The EAC Commissioners serve as the appeal authority. A state has 30 days to appeal EAC's management decision. All appeals must be made in writing to the Chair of the Commission. The Commission will render a decision on the appeal no later than 60 days following receipt of the appeal or, in the case where additional information is needed and requested, 60 days from the date that the information is received from the state. The appeal decision is final and binding.

## **Audit History**

The Commonwealth of Virginia General Services Administration conducted an audit under the Single Audit Act that covered the use of HAVA funds provided to Virginia. The single audit report (Assignment No. E-SA-VA-50-06) for the Commonwealth of Virginia for the state fiscal year that ended June 30, 2005 identified two issues that require EAC resolution.

## **Audit Resolution**

The following categories explain the results of the audit outlined in the final audit report and how the EAC reached its final audit resolution regarding the issues identified by the OIG.

### **Update and Fully Implement the Virginia State Plan**

We agree with the findings that the state should update its state plan to accurately reflect their current operations, as required by HAVA §254(a), and provide sufficient training to local jurisdictions regarding the proper uses of HAVA funds. The Virginia State Board of Elections agreed to update and amend the state plan and to provide training to state and local election officials regarding HAVA funds.

The state developed the plan through the committee described in §255(a) and submitted the plan for publication by the EAC after a 30 day state comment period. Virginia's revised state plan was published in the *Federal Register*, as required by HAVA §255(b), on September 28, 2006 and became effective 30 days later.

The Virginia State Board of Elections has provided notification to the EAC that it has provided training to state and local election officials regarding the proper use of HAVA funds. The state has also made a concerted effort to reach out to EAC to request guidance on a number of issues related to the appropriate use of HAVA funds.

**Submit Revised Federal Report**

We agree with the audit findings that the state should submit revised financial reports if the reports do not accurately reflect expenditures of HAVA funds made by the state. Virginia submitted an amended financial report for HAVA §101 funds used during the 2004 calendar year on June 23, 2006.

**Final Management Decision**

EAC has determined that both reportable conditions identified during the single audit have been appropriately resolved and no further action is required. If the state believes that anything in this final management decision is an adverse action and the state does not agree, the state shall have 30 days to appeal EAC's management decision. The appeal must be made in writing to the Chairman of the EAC. Within 30 days of receiving the appeal, the Commission may hold a hearing to consider the appeal, take evidence or testimony related to the appeal, and render a decision on the appeal, if appropriate at that time. The Commission will render a final and binding decision on the appeal no later than 60 days following the receipt of the appeal or the receipt of any requested additional information. If the state does not file an appeal, this decision will become final and binding at the expiration of the appeal period.

**Final Audit Resolution Report**

**Virginia Single Audit – Assignment No. E-SA-VA-50-06**

**Attachment 1**



U.S. ELECTION ASSISTANCE COMMISSION  
OFFICE OF INSPECTOR GENERAL  
1225 New York Ave. NW - Suite 1100  
Washington, DC 20005

April 13, 2006

Memorandum

To: Thomas Wilkey  
Executive Director

From: Roger La Rouche   
Acting Inspector General

Subject: Single Audit Report of the Commonwealth of Virginia for the Fiscal Year ended June 30, 2005, Findings Requiring U.S. Election Assistance Commission Oversight (Assignment No. E-SA-VA-50-06)

The subject single audit report contains two reportable conditions\* (Attachment) applicable to the State Board of Elections' (Board) administration of Help America Vote Act (HAVA) funds. The audit was performed by the Auditor of Public Accounts for the Commonwealth of Virginia, who is responsible for the report's findings. The two reportable conditions and planned corrective actions are summarized below.

***Update and Fully Implement the Virginia State Plan (Finding no. 05-13)***

- ✓ Areas of concern regarding the management of HAVA funds in accordance with the state plan consist of (1) insufficient guidelines over the permissible uses of HAVA funds, (2) failure to implement planned processes to oversee local governments, and (3) outdated budgetary documents.
- ✓ The Board agreed to update and amend the state plan regarding budget and fiscal matters and plan implementation, and to provide training in the administration of HAVA funds to state and local officials. These actions are scheduled for completion by June 16, 2006.

***Submit Revised Federal Report (Finding no. 05-14)***

- ✓ The financial report submitted to U.S. Election Assistance Commission (EAC) for the period ending December 31, 2004, did not agree with information recorded in the Commonwealth Accounting and Reporting System.

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\* Statement on Auditing Standards No. 60 defines reportable conditions as "... matters coming to the auditor's attention that, in his judgment, should be communicated to the audit committee because they represent significant deficiencies in the design or operation of internal control, which could adversely affect the organization's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements."

✓ The Board agreed to revise the financial report by May 5, 2006.

Based on the reportable conditions, we recommend that the EAC ensure that the Board completes its planned corrective actions. Please provide us with documentation of the action(s) taken to implement this recommendation by June 23, 2006. If you have any questions about this matter, please call me at (202) 566-3121.

cc: Chairman, U.S. Election Assistance  
Commission  
Chairman, Virginia State Board of  
Elections

Attachment

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**GENERAL SERVICES ADMINISTRATION**

**05-13 Update and Fully Implement the Virginia State Plan**

*Applicable to: State Board of Elections*

**Federal program name and CFDA#:** Election Reform Payments (39.011)

**Compliance requirement:** Activities allowed or unallowed, Allowable costs/cost principles, and eligibility

**Type of finding:** Reportable condition

In order to receive Title II funding, the Help America Vote Act of 2002 (HAVA) requires the Commonwealth to develop a state plan outlining how it would meet the HAVA requirements, including any proposed budgetary information. The State Board of Elections (Elections) completed and submitted this plan in July 2003. Elections submitted minor modifications to the state plan on August 22, 2005, amending language related to voting equipment, but has made no other modifications since its original submission. Based on our review of Elections' activities during fiscal year 2005, we identified several areas of concern regarding the management of HAVA funds in accordance with this plan:

- Elections has issued insufficient guidelines over allowable program expenses creating some confusion within the organization as to what constitutes permissible HAVA costs. As an example, localities initially received notification that they could incur a certain category of costs only to later receive notification that they could not claim these costs for reimbursement. We did not identify any instances where funds were expended for unallowable activities or costs during the audit period; however, decisions to deny a payment made late in the expenditure process frustrate both internal and external staff.
- Elections identified within their state plan several processes to monitor and evaluate its and local governments' success in fulfilling the state plan. However, we have been unable to identify where those processes were implemented.
- Elections received more funding than originally anticipated and has identified areas where funding needs have changed as well. Budgetary documents included in the plan have not been updated to reflect these changes.

Elections should review and update their state plan to reflect current operations in accordance with Section 254(a) of HAVA. When updating the plan, Elections should consider incorporating agency policies and procedures for the administration of federal funds, as is done with other similar plans for the administration of federal funds, such as the Department of Medical Assistance Services' State Plan Under Title XIX of the Social Security Act Medical Assistance Program. This will allow the plan to communicate appropriate expectations of HAVA funding. Further, where necessary, Elections should modify existing policies and procedures provided to the localities to bring them into compliance with HAVA.

To facilitate the state plan update, Elections should review the compliance matters defined in HAVA and the Office of Management and Budget Circulars A-87 and A-133, the Cash Management Improvement Act, and the Uniform Administrative Requirements for Grants and Cooperative Agreements with State and Local Governments known as the "Common Rule" and contact the Election Assistance Commission for clarification as needed.

Once updated, Elections should begin executing the plan, including the monitoring processes. As a part of the implementation, Elections should provide training for all levels of management and staff involved with the administration of HAVA funds, as well as the local governments, to facilitate compliance with the plan and federal requirements and regulations.

Management Plan for Corrective Action

- *The SBE will update official policies and procedures documents describing and summarizing all relevant fiscal policies and procedures.*

*Responsible parties/offices: Fiscal Officer and Business Manager*

*Estimated completion date: April 28, 2006*

- *The SBE will update goals and measurements to evaluate successful implementation in fulfilling the state plan.*

*Responsible parties/offices: Assistant Secretaries*

*Estimated completion date: June 14, 2006*

- *The SBE will provide training for all levels of management and staff involved with the administration of HAVA funds, as well as for the localities, to facilitate compliance with the plan and federal requirements and regulations.*

*Responsible parties/offices: Deputy Secretary and Training Coordinator*

*Estimated completion date: May 12, 2006*

- *The SBE will submit amendments to the state plan that reflect current funding and spending plans to the federal Registrar by June 1, 2006, as required by HAVA Section 254.*

*Responsible parties: Deputy Secretary and Business Manager*

*Estimated completion date: June 16, 2006*

**05-14 Submit Revised Federal Report**

*Applicable to: State Board of Elections*

**Federal program name and CFDA#: Election Reform Payments (39.011)**

**Compliance requirement: Reporting**

**Type of finding: Reportable condition**

The Election Advisory Committee, as the federal entity responsible for oversight of HAVA, requires Elections to annually submit an expenditure report on Title I funds. We reviewed the report submitted for the year ended December 31, 2004, and could not reconcile and agree the report to the Commonwealth Accounting and Reporting System (CARS). CARS is the Commonwealth's official accounting system and all reports or other supporting system must reconcile to CARS. Elections provided a spreadsheet which

agreed to the submitted report; however, Elections could not explain the variances between this spreadsheet and CARS.

As such, Elections should review their submission and supporting documentation, determine the cause for the variances and, if necessary, submit a revised report to the Election Advisory Committee. Elections should not submit any official reports that do not reconcile to CARS and should maintain any documentation supporting differences between the federal reports and CARS. Elections should also maintain documentation of all variances between the originally submitted report and the revised report.

Management Plan for Corrective Action

*The SBE will revise financial status reports and agree them to CARS.*

*Responsible party: Fiscal Officer*

*Estimated completion date: May 5, 2006*

**U.S. DEPARTMENT OF LABOR**

**05-15 Hold Local Areas Accountable for Untimely and/or Unreliable Data Entered into VWNIS**

*Applicable to: Virginia Employment Commission*

**Federal program name and CFDA#:** WIA Adult Program (17.258), WIA Youth Activities (17.259), WIA Dislocated Workers (17.260)

**Compliance requirement:** Subrecipient monitoring

**Type of finding:** Reportable condition and noncompliance

The Employment Commission administers the federal Workforce Investment Act (WIA) through 17 local Workforce Investment Areas (Local Areas). Each Local Area is a county, city, or a combination of localities, which cover the entire Commonwealth. Each Local Area receives federal WIA monies and spends it at the discretion of a Local Workforce Investment Board to promote workforce training and employment.

The Employment Commission performs annual reviews of the Local Areas' compliance with the WIA. These reviews identified that the Local Areas are not complying with the Employment Commission's internal policy to enter participant data into the Virginia Workforce Network Information System (VWNIS) within five working days from completion of a transaction. The reviews further showed that the data entered was incorrect or inconsistent. The reviewers found that this is a recurring issue from fiscal year 2004. This untimeliness, inaccuracy, and inconsistency can adversely affect the Local Areas' reported performance to the state and, when summarized by the state, to the U.S. Department of Labor.

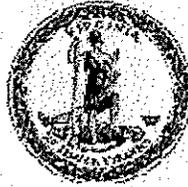
Workforce Investment Act, Section 184, allows the Employment Commission to impose sanctions on its subrecipients for noncompliance. Because the Local Areas have consistently shown their failure to timely, accurately, and consistently input data into the VWNIS for the second year, the Employment Commission should require corrective action to ensure compliance and impose sanctions as deemed necessary in the event of noncompliance by the Local Areas.

The Employment Commission and Local Areas identified employee turnover and system flaws as variables that contribute to these issues. In an effort to resolve these issues, the Employment Commission developed a querying capacity in VWNIS to help pinpoint the source of data error and provide VWNIS

**Final Audit Resolution Report**

**Virginia Single Audit – Assignment No. E-SA-VA-50-06**

**Attachment 2**



*COMMONWEALTH of VIRGINIA*  
*STATE BOARD OF ELECTIONS*

Michael G. Brown  
Chairman  
Barbara Hildenbrand  
Vice Chairman

Jean R. Jensen  
Secretary  
Lynda Sharp Anderson  
Deputy Secretary

June 23, 2006

U.S. Election Assistance Commission  
1225 New York Avenue, N.W., Suite 1100  
Washington, DC 20005

Roger LaRouche:

Per your April 13, 2006 letter, I report that the Virginia State Board of Elections (SBE) has completed their Corrective Action Plan in response to the March 2006 Auditor of Public Accounts (APA) Audit. Our Corrective Action Plan and progress are summarized below.

- 1. The SBE will update official policies and procedures documents describing and summarizing all relevant fiscal policies and procedures.**

**COMPLETED**

SBE staff reviewed existing policies and procedures related to HAVA expenditures. These documents included all relevant Federal regulations and circulars, the Virginia HAVA State Plan, and the "Using Excess HAVA Allocations: Application Procedures." Additionally, SBE staff performed a self-assessment with the EAC audit and assessment programs developed by the Office of Inspector General. SBE staff spoke with all relevant staff members, the APA auditor, and EAC staff to determine problems with old procedures and generate solutions. As a result, the Virginia HAVA State Plan is in the process of being amended and new fiscal procedures have been produced in the form of the "Locality HAVA Expenditures" guidelines. Specifically, the new guidelines: eliminate locality specific allocations in favor of a general need based grant system; include revised application forms that are easier to fill out with better defined steps to be taken; clearly define steps and roles of participants at each stage of the expenditure process; more thoroughly document personal services; and formalize federal asset inventory procedures.

- 2. The SBE will update goals and measurements to evaluate successful implementation in fulfilling the state plan.**

COMPLETED

The 2006 Amendments to the Virginia HAVA State Plan require the Secretary of the SBE to draft specific goals and measures, submit them to the Board for approval, and post them to the SBE website. Many of these goals and measures were already collected for various other reports. These goals and measures included, in part: the implementation of VERIS, the replacement of punch card and lever voting machines, the completion of on-site accessibility audits for all polling places, the number of accessible polling places, the accuracy of voter registration records, the number of local county and city election officials that receive training, the rate of absentee ballots that are counted, and the rate of voter complaints.

The Secretary has drafted expanded goals and measures and presented them to the Board for approval. The Board unanimously approved these new goals and measurements.

- 3. The SBE will provide training for all levels of management and staff involved with the administration of HAVA funds, as well as for localities, to facilitate compliance with the plan and federal requirements and regulations.**

COMPLETED

The training for SBE staff and localities consisted of the creation of new procedures documents and live training sessions. As indicated above, the procedures documents were created in a process that allowed for input from all stakeholders. The procedures document contains multiple examples with accompanying explanations.

Following the publication of the procedures documents, the SBE conducted three days of training sessions for SBE staff, registrars, and electoral board members. There were a total of six sessions, one for SBE staff and five for localities. Each training session for localities lasted approximately one hour and was delivered via conference call with an accompanying presentation that was posted to our secure website and brought up by participants before logging into the conference call. The training facilitator conducted each session simultaneously with everyone who dialed in to the conference call and then allowed for a question and answer period.

Including the localities who participated in the makeup session, 102 localities participated in the training with multiple representatives from some localities. Following the training sessions, the procedures document was revised to include more examples where localities were confused on earlier concepts.

- 4. The SBE will submit amendments to the state plan that reflect current funding and spending plans to the federal Registrar by June 16, 2006 as required by HAVA Section 254.**

COMPLETED

Following the audit, the SBE began the process of revising the Virginia HAVA State Plan. The proposed amendments were presented to the reconstituted HAVA State Plan Advisory Committee on May 17, 2006. Following the approval of the Advisory Committee, the SBE notified the public and published the proposed plan to the SBE website that evening. HAVA requires proposed amendments to be available for public comment for 30 days before they are submitted to the *Federal Register*. The State Board of Elections unanimously approved the proposed amendments on June 19, 2006 and they have been mailed to the EAC for publication in the *Federal Register*.

**5. The SBE will revise financial status reports and agree them to CARS.**

COMPLETED

The reconciliation of the financial status reports (SF-269) to Virginia's accounting system (CARS) was completed in April immediately following the final audit report. The revised reports are attached to this letter.

On behalf of the Commonwealth of Virginia, I thank the Commission for its assistance. I look forward to our continued collaboration to improve the administration of elections in Virginia.

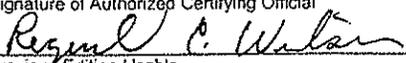
Sincerely,

  
Jean R. Jensen  
Secretary

Enclosures

**FINANCIAL STATUS REPORT (REVISED 2004 Report)**  
(Long Form)

*(Follow Instructions on Previous pages and next page)*

1. Federal Agency and Organizational Element to Which Report is Submitted. <b>Elections Assistance Commission</b>		2. Federal Grant or Other Identifying Number Assigned By Federal Agency <b>HAVA Title I, Section 101, cfd a 39.011</b>		OMB Approval No. <b>0348-0039</b>	Page 1 of <b>1</b> Pages
3. Recipient Organization (Name and complete address, including ZIP codes) <b>Virginia State Board Of Elections 200 North Ninth Street, Suite 101 Richmond, VA 23219-3485</b>					
4. Employer Identification Number <b>54-6001772</b>		5. Recipient Account Number or Identifying Number		6. Final Report Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	
7. Basis <input checked="" type="checkbox"/> Cash <input type="checkbox"/> Accrual					
8. Funding Grant Period (See instructions) From: (Month, Day, Year) <b>5/1/2003</b>		To: (Month, Day, Year) <b>Open</b>		9. Period Covered by This Report From: (Month, Day, Year) <b>1/1/2004</b>	
		To: (Month, Day, Year) <b>12/31/2004</b>			
10. Transactions:					
		I Previously Reported	II This Period	III Cumulative	
a. Total outlays		\$86,522	\$965,577	\$1,052,099	
b. Refunds, rebates, etc.		0	0	0.00	
c. Program income used in accordance with the deduction alternative		0	0	0.00	
d. Net outlays (Line a, less the sum of lines b and c)		\$86,522	\$965,577	\$1,052,099	
Recipient's share of net outlays, consisting of:					
e. Third party (in-kind) contributions		0	0	0.00	
f. Other Federal awards authorized to be used to match this award		0	0	0.00	
g. (1) Funds used in accordance with the matching requirement		0	0	0.00	
(2) State funds used as MOE		0	0	0.00	
(3) State funds used for both matching and MOE (-)		0	0	0.00	
h. All other recipient outlays not shown on lines e, f, or g.		0	0	0.00	
i. Total recipient share of net outlays (sum of lines e, f, g, and h)		0	0	0.00	
j. Federal share of net outlays (line d less line i)		\$86,522	\$965,577	\$1,052,099	
k. Total unliquidated obligations		0	0	0.00	
l. Recipient's share of unliquidated obligations		0	0	0.00	
m. Federal share of unliquidated obligations		0	0	0.00	
n. Total Federal share (sum of lines j and m)		\$86,522	\$965,577	\$1,052,099	
o. Total Federal funds authorized for this funding period		7,105,890	\$7,019,368	7,105,890	
p. Unobligated balance of Federal funds (Line o minus line n)		7,019,368	\$6,053,791	\$6,053,791	
Program income consisting of:					
q. Disbursed program income shown on lines c and/or g above		0	0	0.00	
r. Disbursed program income using the addition alternative		0	0	0.00	
s. Undisbursed program income		0	0	0.00	
t. Total program income realized (Sum of lines q, r, and s)		0	0	0.00	
11. Indirect Expenses					
a. Type of Rate (Place "X" in appropriate box)		Provisional	Predetermined	Final	Fixed
b. Rate		c. Base		d. Total Amount	e. Federal Share
12. Remarks: Attach any explanations deemed necessary or information required by Federal sponsoring agency in compliance with governing legislation					
Interest earned on Title I Section 101 funds approximated \$361,026 during calendar year 2004					
12. Certification: I certify to the best of my knowledge and belief that this report is correct and complete and that all outlays and unliquidated obligations are for the purposes are set forth in the award documents.					
Typed or Printed Name and Title <b>Reginald Wilson, Business Manager</b>				Telephone (area code, number and extension) <b>(804) 864-8901</b>	
Signature of Authorized Certifying Official 				Date Report Submitted <b>6/23/2006</b>	