



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

FINAL REPORT:

**ADMINISTRATION OF PAYMENTS
RECEIVED UNDER THE HELP
AMERICA VOTE ACT BY THE
MINNESOTA
SECRETARY OF STATE**

JUNE 4, 2003 THROUGH DECEMBER 31, 2007

**Report No.
E-HP-MN-03-08
July 2008**



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

July 14, 2008

Memorandum

To: Thomas Wilkey
Executive Director

From: Curtis W. Crider
Inspector General

Subject: Final Audit Report - Administration of Payments Received Under the Help America Vote Act by the State of Minnesota Secretary of State
(Assignment Number E-HP-MN-03-08)

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

In its audit of the Secretary of State, Clifton Gunderson concluded that, except for the state not depositing its remainder of the five percent matching share of HAVA Section 251 funding timely into the SOS's Election Fund, our audit concluded that the Secretary of State generally accounted for and expended HAVA funds in accordance with the HAVA requirements and complied with the financial management requirements established by the U.S. Election Assistance Commission. The Secretary of State also complied with section 251 requirements.

In a June 12, 2008 response to the draft report (Appendix A), the Secretary of State agreed with the report's finding and recommendation, and provided documentation of its implementation of the corrective action, which was the deposit of the matching share shortfall and additional interest earnings into the SOS's Election Fund.

Please provide us with your written response to the recommendation included in this report by August 15, 2008. Your response should contain information on actions taken or planned, including target dates and titles of EAC officials responsible for implementing the recommendation.

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

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

PERFORMANCE AUDIT REPORT

**ADMINISTRATION OF PAYMENTS
RECEIVED UNDER THE HELP
AMERICA VOTE ACT BY THE MINNESOTA
SECRETARY OF STATE**

June 4, 2003 through December 31, 2007

**UNITED STATES ELECTION
ASSISTANCE COMMISSION**

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

EXECUTIVE SUMMARY

Clifton Gunderson LLP was engaged by the U.S. Election Assistance Commission (EAC or the Commission) Office of Inspector General to conduct a performance audit of the Minnesota Office of the Secretary of State (SOS) for the period June 4, 2003 through December 31, 2007 to determine whether the SOS used payments authorized by Sections 101 and 251 of the Help America Vote Act of 2002 (HAVA or the Act) in accordance with HAVA and applicable requirements; accurately and properly accounted for property purchased with HAVA payments and for program income, and met HAVA requirements for Section 251 funds for an election fund, for a matching contribution, and for maintenance of a base level of state outlays. In addition, the Commission requires states to comply with certain financial management requirements, specifically:

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

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on the audit objectives. Because of inherent limitations, a study and evaluation made for the limited purposes of our review would not necessarily disclose all weaknesses in administering HAVA payments.

Except for the State not depositing its remainder of the five percent matching share of HAVA Section 251 funding timely into the SOS’s Election Fund, which is discussed below, our audit concluded that the SOS accounted for and expended HAVA funds in accordance with the requirements mentioned above. The exception needing SOS management attention is as follows:

- As of December 31, 2007, the State’s liability for interest on its failure to timely deposit its matching share of HAVA Section 251 funding and to fully fund its matching share was estimated to be \$41,315. A determination should be made of the lost interest earnings from the failure to deposit the full amount of state matching funds and to deposit them timely, and the total amount should be transferred to the election fund.

We have included in this report the SOS's formal response to the finding and recommendation dated June 12, 2008. The SOS agreed with the recommendation and has implemented corrective action.

BACKGROUND

The Help America Vote Act of 2002 created the U.S. Election Assistance Commission to assist states and insular areas with the improvement of the administration of Federal elections and to provide funds to states to help implement these improvements. HAVA authorizes payments to states under Titles I and II, as follows:

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

Title II also requires that states must:

- Have appropriated funds "equal to 5 percent of the total amount to be spent for such activities [activities for which requirements payments are made]." [Section 253(b)(5)].
- "Maintain the expenditures of the State for activities funded by the [requirements] payment at a level that is not less than the level of such expenditures maintained by the State for the fiscal year ending prior to November 2000." [Section 254 (a)(7)].
- Establish an election fund for amounts appropriated by the state "for carrying out the activities for which the requirements payment is made," for the Federal requirements payments received, for "such other amounts as may be appropriated under law," and for "interest earned on deposits of the fund." [Section 254)(b)(1)].

AUDIT OBJECTIVES

The objectives of our audit were to determine whether the State of Minnesota, Office of the Secretary of State:

1. Used payments authorized by Sections 101 and 251 of the Help America Vote Act (HAVA) in accordance with HAVA and applicable requirements;
2. Accurately and properly accounted for property purchased with HAVA payments and for program income;

- Met HAVA requirements for Section 251 funds for an election fund, for a matching contribution, and for maintenance of a base level of state outlays.

In addition, to account for HAVA payments, the Act requires states to maintain records that are consistent with sound accounting principles that fully disclose the amount and disposition of the payments, that identify the project costs financed with the payments and other sources, and that will facilitate an effective audit. The Commission requires states receiving HAVA funds to comply with certain financial management requirements, specifically:

- Comply with the *Uniform Administrative Requirements for Grants and Cooperative Agreements with State and Local Governments* (also known as the “Common Rule”) as published in the Code of Federal Regulations at 41 CFR 105-71.
- Expend payments in accordance with cost principles for establishing the allowance or disallowance of certain items of cost for federal participation issued by the Office of Management and Budget (OMB) in Circular A-87.
- Submit detailed annual financial reports on the use of Title I and Title II payments.¹

SCOPE AND METHODOLOGY

We audited the HAVA funds received and disbursed by the SOS from June 4, 2003 through December 31, 2007.

Funds received and disbursed from June 4, 2003 (program initiation date) to December 31, 2007 (55-month period) are shown below:

TYPE OF PAYMENT	FUNDS RECEIVED				FUNDS DISBURSED	DATA AS OF
	EAC PAYMENT	STATE MATCH	INTEREST EARNED	TOTAL AVAILABLE		
101	\$ 5,313,786	\$ 0	\$ 62,925	\$ 5,376,711	\$ 5,376,711	12/31/2007
251	<u>39,178,788</u>	<u>310,000</u> *	<u>2,399,970</u>	<u>41,888,758</u>	<u>36,927,188</u>	12/31/2007
	<u>\$ 44,492,574</u>	<u>\$ 310,000</u>	<u>\$ 2,462,895</u>	<u>\$ 47,265,469</u>	<u>\$ 42,303,899</u>	12/31/2007

* Minnesota purchased voting machines in 2002 to meet a portion of its matching requirement. Only \$310,620 of the matching requirement was remaining as of the August 24, 2004, the date Minnesota received its HAVA Section 251 requirements payment.

Our audit methodology is set forth in Appendix B.

¹ EAC requires states to submit annual reports on the expenditure of HAVA Sections 101 and 251 funds. For Section 101, reports are due on February 28 for the activities of the previous calendar year. For Section 251, reports are due by March 30 for the activities of the previous fiscal year ending on September 30.

AUDIT RESULTS

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on the audit objectives. Because of inherent limitations, a study and evaluation made for the limited purposes of our review would not necessarily disclose all weaknesses in administering HAVA payments.

Except for the state's failure to timely deposit the remainder of state matching funds owed into the election fund, we concluded that the SOS accounted for and expended HAVA funds in accordance with the requirements mentioned above. This includes compliance with section 251 requirements for an election fund and for maintenance of a base level of statewide outlays. The SOS agreed with the recommendation and has resolved the exception described below as set forth in Appendix A:

Interest on State Matching Funds

Minnesota established an election fund to hold Help America Vote Act (HAVA) funds in accordance with the requirements of HAVA Section 254. The HAVA also requires that the election fund hold the five percent State matching funds that enabled Minnesota to qualify for federal HAVA Section 251 funds. Furthermore, interest earned from the investment of the money in the election fund must also be deposited into the election fund. The timely deposit of monthly interest earnings increases the election fund balance upon which each subsequent month's interest earnings is based, resulting in a compounding effect that adds additional funds to the program.

Minnesota's matching requirement was \$2,062,041. In 2002, Minnesota partially met its matching requirement by providing grants to counties to purchase voting machines. These grants required a 50 percent match from the counties and, together with the county contributions, totaled \$1,751,421, or \$310,620 less than the State matching requirement. The State subsequently deposited \$310,000 of State matching funds into its election fund, but it did not make the deposit until June 29, 2007. This substantially met the State matching requirement, but because the matching funds were deposited nearly 3 years after Minnesota received its federal HAVA Section 251 funds, interest on \$310,620 for nearly 3 years was not deposited into the election fund. Furthermore, until the State transfers the deficit from the compounded interest and the \$620 principal to the election fund, the undeposited amount will continue to increase.

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 (the State matching requirement of five percent of the federal HAVA Section 251 funds).
- B. The requirements payment made to the State (the federal HAVA Section 251 funds).

- C. Such other amounts as may be appropriated under law.
- D. Interest earned on deposits of the fund.

Officials of the Office of the SOS stated that they were not aware of the shortfall in interest accruing to the election fund during the nearly 3 years that \$310,620 in State matching funds were withheld from it.

We calculated that, through December 31, 2007, approximately \$41,315 in interest and principal (the \$620 of state matching funds never deposited) is owed to the election fund for failure to timely deposit \$310,620 of the State's matching requirement into the election fund.

Recommendation:

We recommend that the Minnesota Secretary of State ensure that monies are transferred into the election fund that represent compounded interest lost on \$310,620 from the delay in fully funding the state matching requirement from August 2004 to July 2007 and on \$620 from July until payment is made, plus the \$620 additional state matching funds that were never deposited into the election fund. The total was calculated to be approximately \$41,315 as of December 31, 2007.

SOS Response:

The Secretary of State reported that the finding had been resolved by the passage of legislation to transfer \$42,045.50, which included additional interest through the date of the transfer, from the state's general fund to the Help America Vote Act (HAVA) Account, and the transfer was made on June 13, 2008 as set forth in Appendix A. The response identifies as an attachment "a screenshot from the Minnesota Statewide Accounting system, showing the transfer of that amount from the general fund of the State of Minnesota to the Help America Vote Act Account", which has not been included in this report, but was verified as providing support for the action taken.

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

CG performed its work between January 14 and February 8, 2008.



Calverton, Maryland



STATE OF MINNESOTA
Office of the Minnesota Secretary of State
Mark Ritchie

June 12, 2008

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

Dear Inspector General Crider:

Thank you for providing a copy of the *Performance Audit Report Administration of Payments Received under the Help America Vote Act by the Minnesota Secretary of State*. The Office of the Secretary of State greatly appreciates the recommendations and assistance of the EAC and its agents, Clifton Gunderson LLP in the audit process.

I am pleased to report to you that the only finding has been resolved by the passage and implementation of Laws 2008, Chapter 336, Section 9. A copy of the legislation is attached to this letter.

The legislation permits the Office to make the necessary transfer from the state general fund to the Help America Vote Act (HAVA) Account. As previously noted in my letter of March 17, 2008 which is included in the *Report* as Appendix A, the interest accrued because the full match was not deposited in the HAVA Account concurrently with receipt on August 24, 2004, of the "requirements payment."

The legislation was effective the day following final enactment, and the funds transfer of the appropriate amount of interest was made on June 13, 2008. The interest was calculated to that date by the formula set forth in the attached spreadsheet. The interest calculation was verified with Joe Ansnick of Clifton Gunderson LLP, the firm engaged by the Election Assistance Commission to conduct the audit. The amount of the interest due pursuant to the finding, and the transfer to the Help America Vote Act Account, is \$42,045.50.

Also attached is a screenshot from the Minnesota Statewide Accounting system, showing the transfer of that amount from the general fund of the State of Minnesota to the Help America Vote Act Account.

I believe that the completed transfer remedies the finding. The Office of the Secretary of State of Minnesota is pleased to conclude the audit by this action. The Help America Vote Act has resulted in new opportunities in election administration. The state of Minnesota will work with the Election Assistance Commission now and in the future to assure continued, high quality election administration in the state of Minnesota.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark Ritchie".

MARK RITCHIE
Minnesota Secretary of State

CHAPTER 336—H.F.No. 3699

An act relating to elections; authorizing use of certain ballots; providing for discretionary partial recounts; specifying certain procedures; changing certain voting system requirements; transferring certain funds; amending Minnesota Statutes 2006, sections 203B.227, as added; 204C.35, subdivisions 1, 2; 204C.36, subdivision 2; 206.57, by adding subdivisions; 206.89, subdivision 2; Minnesota Statutes 2007 Supplement, section 206.57, subdivision 5; Laws 2007, chapter 148, article 1, section 7.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. Minnesota Statutes 2006, section 203B.227, as added by Laws 2008, chapter 190, section 9, is amended to read:

203B.227 WRITE-IN ABSENTEE BALLOT.

~~An eligible A voter who will be outside the territorial limits of the United States during the 180 days prior to the state general election described in section 203B.16, subdivision 1, may use a state write-in absentee ballot or the federal write-in absentee ballot to vote in any federal, state, or local election. In a state or local election, a vote for a political party without specifying the name of a candidate must not be counted.~~

EFFECTIVE DATE. This section is effective for elections held after June 1, 2008.

Sec. 2. Minnesota Statutes 2006, section 204C.35, subdivision 1, is amended to read:

Subdivision 1. **Automatic recounts.** (a) In a state primary when the difference between the votes cast for the candidates for nomination to a statewide federal office, state constitutional office, statewide judicial office, congressional office, state legislative office, or district judicial office:

(1) is less than one-half of one percent of the total number of votes counted for that nomination; or

(2) is ten votes or less and the total number of votes cast for the nomination is 400 votes or less;

and the difference determines the nomination, the canvassing board with responsibility for declaring the results for that office shall manually recount the vote.

(b) In a state general election when the difference between the votes of a candidate who would otherwise be declared elected to a statewide federal office, state constitutional office, statewide judicial office, congressional office, state legislative office, or district judicial office and the votes of any other candidate for that office:

(1) is less than one-half of one percent of the total number of votes counted for that office; or

(2) is ten votes or less if the total number of votes cast for the office is 400 votes or less,

the canvassing board shall manually recount the votes.

(c) A recount must not delay any other part of the canvass. The results of the recount must be certified by the canvassing board as soon as possible.

(d) Time for notice of a contest for an office which is recounted pursuant to this section shall begin to run upon certification of the results of the recount by the canvassing board.

(e) A losing candidate may waive a recount required pursuant to this section by filing a written notice of waiver with the canvassing board.

Sec. 3. Minnesota Statutes 2006, section 204C.35, subdivision 2, is amended to read:

Subd. 2. **Optional Discretionary candidate recount.** (a) A losing candidate whose name was on the ballot for nomination or election to a statewide federal office, state constitutional office, statewide judicial office, congressional office, state legislative office, or district judicial office may request a recount in a manner provided in this section at the candidate's own expense when the vote difference is greater than the difference required by this section. The votes shall be manually recounted as provided in this section if the candidate files a request during the time for filing notice of contest of the primary or election for which a recount is sought.

(b) The requesting candidate shall file with the filing officer a bond, cash, or surety in an amount set by the filing officer for the payment of the recount expenses. The requesting candidate is responsible for the following expenses: the compensation of the secretary of state, or designees, and any election judge, municipal clerk, county auditor, administrator, or other personnel who participate in the recount; the costs of computer operation, preparation of ballot counting equipment, necessary supplies and travel related to the recount; the compensation of the appropriate canvassing board and costs of preparing for the canvass of recount results; and any attorney fees incurred in connection with the recount by the governing body responsible for the recount.

(c) The requesting candidate may provide the filing officer with a list of up to three precincts that are to be recounted first and may waive the balance of the recount after these precincts have been counted. If the candidate provides a list, the recount official must determine the expenses for those precincts in the manner provided by paragraph (b).

(d) If the winner of the race is changed by the optional recount, the cost of the recount must be paid by the jurisdiction conducting the recount.

(e) If a result of the vote counting in the manual recount is different from the result of the vote counting reported on election day by a margin greater than the standard for acceptable performance of voting systems provided in section 206.89, subdivision 4, the cost of the recount must be paid by the jurisdiction conducting the recount.

Sec. 4. Minnesota Statutes 2006, section 204C.36, subdivision 2, is amended to read:

Subd. 2. **Discretionary candidate recounts.** (a) A losing candidate for nomination or election to a county, municipal, or school district office may request a recount in the manner provided in this section at the candidate's own expense when the vote difference is greater than the difference required by subdivision 1, clauses (a) to (e). The votes shall

be manually recounted as provided in this section if the requesting candidate files with the county auditor, municipal clerk, or school district clerk a bond, cash, or surety in an amount set by the governing body of the jurisdiction or the school board of the school district for the payment of the recount expenses.

(b) The requesting candidate may provide the filing officer with a list of up to three precincts that are to be recounted first and may waive the balance of the recount after these precincts have been counted. If the candidate provides a list the recount official must determine the expenses for those precincts in the manner provided by paragraph (b).

(c) If the winner of the race is changed by the optional recount, the cost of the recount must be paid by the jurisdiction conducting the recount.

(d) If a result of the vote counting in the manual recount is different from the result of the vote counting reported on election day by a margin greater than the standard for acceptable performance of voting systems provided in section 206.89, subdivision 4, the cost of the recount must be paid by the jurisdiction conducting the recount.

Sec. 5. Minnesota Statutes 2007 Supplement, section 206.57, subdivision 5, is amended to read:

Subd. 5. **Voting system for disabled voters.** In federal and state elections held after December 31, 2005; in county, city, and school district elections held after December 31, 2007; and, except as provided in subdivision 5a, in township elections held after December 31, 2009, the voting method used in each polling place must include a voting system that is accessible for individuals with disabilities, including nonvisual accessibility for the blind and visually impaired in a manner that provides the same opportunity for access and participation, including privacy and independence, as for other voters.

Sec. 6. Minnesota Statutes 2006, section 206.57, is amended by adding a subdivision to read:

Subd. 5a. **Limited town exemptions.** (a) A town conducting an election not held in conjunction with any federal, state, county, or school district election is exempt from the requirements of subdivision 5 if the town has fewer than 500 registered voters, as determined by the secretary of state by June 1 of each year.

(b) A town that would otherwise satisfy the requirements of this subdivision is still required to comply with subdivision 5 at its next general town election if the voters at the preceding year's annual town meeting instruct the town to conduct elections in compliance with subdivision 5.

(c) If the secretary of state, after consultation with the Minnesota Association of Townships, county auditors, or other interested parties, determines that a town's share of the cost of compliance with subdivision 5 will not exceed \$150 for an election, the town may not use the exemption under paragraph (a) and shall conduct elections under subdivision 5. In determining the town's cost of compliance, the secretary shall include any expense associated with programming, ballot preparation and printing, and the equipment costs directly related to compliance with subdivision 5.

Sec. 7. Minnesota Statutes 2006, section 206.57, is amended by adding a subdivision to read:

Subd. 5b. Township voting equipment study. (a) Beginning in 2009 and at least once every other year until 2016, the secretary of state shall consult with interested parties, including, but not limited to, members of the legislature, town officers, county election officials, the National Federation of the Blind, the Minnesota State Council on Disability, and the Disability Law Center regarding:

(1) options for full compliance with Minnesota Statutes, section 206.57, subdivision 5; and

(2) ongoing costs of compliance with Minnesota Statutes, section 206.57, subdivision 5, and methods of reducing those costs.

(b) Beginning January 15, 2010, and until January 15, 2017, the secretary of state shall report to the chairs and ranking minority members of the legislative committees and divisions with jurisdiction over elections policy and finance regarding the findings, discussions, and developments under paragraph (a).

Sec. 8. Minnesota Statutes 2006, section 206.89, subdivision 2, is amended to read:

Subd. 2. **Selection for review; notice.** At the canvass of the state primary, the county canvassing board in each county must set the date, time, and place for the postelection review of the state general election to be held under this section.

At the canvass of the state general election, the county canvassing boards must select the precincts to be reviewed by lot. The county canvassing board of a county with fewer than 50,000 registered voters must conduct a postelection review of a total of ~~select~~ at least two precincts for postelection review. The county canvassing board of a county with between 50,000 and 100,000 registered voters must conduct a review of a total of ~~select~~ at least three precincts for review. The county canvassing board of a county with over 100,000 registered voters must conduct a review of a total of ~~select~~ at least four precincts, or three percent of the total number of precincts in the county, whichever is greater. ~~The precincts must be selected by lot at a public meeting.~~ At least one precinct selected in each county must have had more than 150 votes cast at the general election.

The county auditor must notify the secretary of state of the precincts that have been chosen for review and the time and place the postelection review for that county will be conducted, as soon as the decisions are made. If the selection of precincts has not resulted in the selection of at least four precincts in each congressional district, the secretary of state may require counties to select by lot additional precincts to meet the congressional district requirement. The secretary of state must post this information on the office Web site.

Sec. 9. Laws 2007, chapter 148, article 1, section 7, is amended to read:

Sec. 7. **SECRETARY OF STATE** \$ 9,019,000 \$ 6,497,000

Appropriations by Fund

	2008	2009
General	6,175,000	6,497,000
Special Revenue	2,844,000	

(a) \$310,000 of this appropriation must be transferred to the Help America Vote Act

account and is designated as a portion of the match required by section 253(b)(5) of the Help America Vote Act.

(b) \$2,844,000 the first year is appropriated from the Help America Vote Act account for the purposes and uses authorized by federal law. This appropriation is available until June 30, 2009.

(c) Notwithstanding Laws 2005, chapter 162, section 34, subdivision 7, any balance remaining in the Help America Vote Act account after previous appropriations and the appropriations in this section is appropriated to the secretary of state for the purposes of the account. This appropriation is available until June 30, 2011.

(d) The amount necessary to meet federal requirements for interest payments and the additional match for the Help America Vote Act account is transferred from the general fund appropriation to the Help America Vote Act account.

EFFECTIVE DATE. This section is effective the day following final enactment.

AUDIT METHODOLOGY

Our audit methodology included:

- Assessing audit risk and significance within the context of the audit objectives.
- Obtaining an understanding of internal control that is significant to the administration of the HAVA funds.
- Understanding relevant information systems controls as applicable.
- Identifying sources of evidence and the amount and type of evidence required.
- Determining whether other auditors have conducted, or are conducting, audits of the program that could be relevant to the audit objectives.

To implement our audit methodology, below are some of the audit procedures we performed:

- Interviewed appropriate SOS employees about the organization and operations of the HAVA program.
- Reviewed prior single audit report and other reviews related to the state's financial management systems and the HAVA program for the last 2 years.
- Reviewed policies, procedures and regulations for the SOS's management and accounting systems as they relate to the administration of HAVA programs.
- Analyzed the inventory lists of equipment purchased with HAVA funds.
- Tested major purchases and supporting documentation.
- Tested randomly sampled payments made with the HAVA funds.
- Verified support for reimbursements to local governments (counties, cities, and municipalities).
- Reviewed certain state laws that impacted the election fund.
- Examined appropriations and expenditure reports for state funds used to maintain the level of expenses for elections at least equal to the amount expended in fiscal year 2000 and to meet the five percent matching requirement for section 251 requirements payments.
- Reviewed/examined information regarding source/supporting documents kept for MOE and matching contributions.

- Evaluated compliance with the requirements for accumulating financial information reported to the Commission on the Financial Status Reports, Form SF-269, accounting for property, purchasing HAVA related goods and services, and accounting for salaries.
- Verified the establishment and maintenance of an election fund.
- Verified whether the state has sustained the state's level of expenditures for Elections.
- Conducted site visits of selected counties and local election authorities in St. Louis County to perform the following:
 - Observe equipment purchased with HAVA funds for proper accounting and safeguarding.
 - Test disbursement of HAVA funds for allowability and compliance.
 - Test cash receipts from SOS to ensure proper cash management.
 - Test procurement of voting equipment for competitive bid process.
 - Ensure compliance with HAVA Act.

MONETARY IMPACT AS OF DECEMBER 31, 2007

<i>Description</i>	<i>Questioned Costs</i>	<i>Additional Funds for Program</i>
Interest on matching funds	\$0	\$40,695
State matching shortfall	0	620
Totals	\$0	\$41,315

OIG's Mission

The OIG audit mission is to provide timely, high-quality professional products and services that are useful to OIG's clients. OIG seeks to provide value through its work, which is designed to enhance the economy, efficiency, and effectiveness in EAC operations so they work better and cost less in the context of today's declining resources. OIG also seeks to detect and prevent fraud, waste, abuse, and mismanagement in these programs and operations. Products and services include traditional financial and performance audits, contract and grant audits, information systems audits, and evaluations.

Obtaining Copies of OIG Reports

Copies of OIG reports can be requested by e-mail.
(eacoig@eac.gov).

Mail orders should be sent to:

U.S. Election Assistance Commission
Office of Inspector General
1225 New York Ave. NW - Suite 1100
Washington, DC 20005

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

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

By Mail: U.S. Election Assistance Commission
Office of Inspector General
1225 New York Ave. NW - Suite 1100
Washington, DC 20005

E-mail: eacoig@eac.gov

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

FAX: 202-566-0957

