



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

**FINAL REPORT:**

**ADMINISTRATION OF PAYMENTS  
RECEIVED UNDER THE HELP  
AMERICA VOTE ACT BY THE STATE  
OF INDIANA ELECTION DIVISION**

**MAY 1,2003 THROUGH AUGUST 31,2006**

**Report No.  
E-HP-IN-13-06  
May 2007**



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

May 11, 2007

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 Indiana Election Division  
(Assignment Number E-HP-IN-13-06)

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 Indiana Election Division (Election Division). 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 Election Division, Clifton Gunderson concluded that, except for the accounting and reporting of the interest and matching funds, the Election Division 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. This includes compliance with section 251 requirements for an election fund and for maintenance of a base level of state outlays. Also, Clifton Gunderson identified a need for the Election Division to improve its accounting for interest and financial reporting, provide for the shortfall in state matching funds, and strengthen property controls.

In an April 27, 2007 response to the draft report (Appendix A), the Election Division agreed with the findings and recommendations related to the reporting issues, the shortfall in state matching funds, and the loss of the compounding effect caused by delays in posting interest earned. The Election Division disagreed with the recommendations regarding the State's responsibility over the controls of property at the county level, and the lost interest from delays in posting the state matching funds. The response indicated that the Election Division:

- had amended and submitted corrected SF-269 reports, and procedures would be implemented to improve the reporting process.
- would review the auditor's interest computations to determine the correct interest differential, and would transfer the additional funds to the appropriate HAVA accounts. Also, the Treasurer's office would begin computing interest monthly to forestall this problem in the future.

- included a request in the FY 2008-09 biennial budget to fund the state matching shortfall, but would not include the interest on delayed depositing of matching funds, since they believed they complied with the regulations.
- does not believe they have a responsibility to monitor the equipment owned by the counties; however, they would advise the counties of the state and federal regulations regarding property controls and procedures.

Please provide us with your written response to the recommendations included in this report by July 11, 2007. Your response should contain information on actions taken or planned, including target dates and titles of EAC officials responsible for implementing the recommendations.

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

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

**PERFORMANCE AUDIT REPORT**

**ADMINISTRATION OF PAYMENTS  
RECEIVED UNDER THE HELP  
AMERICA VOTE ACT BY THE STATE OF  
INDIANA ELECTION DIVISION**

**May 1, 2003 Through August 31, 2006**

**UNITED STATES ELECTION  
ASSISTANCE COMMISSION**

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## 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 State of Indiana Election Division (IED) for the period May 1, 2003 through August 31, 2006 to determine whether the IED used payments authorized by Sections 101, 102, and 251 of the Help America Vote Act of 2002 (HAVA or the Act) in accordance with HAVA and applicable requirements; accurately and properly accounted for property purchased with HAVA payments and for program income, and met HAVA requirements for Section 251 funds for an election fund, 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 accounting and reporting of the interest and state matching funds, our audit concluded that IED generally 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 state outlays. We also identified four areas needing IED’s management attention:

- There were reporting errors on the Financial Status Reports, Form 269, including interest earned on HAVA funds deposited with the State of Indiana that was not reported and expenditures that were incorrectly reported.
- Interest earnings were lost as a result of delayed receipt of state matching funds, the shortfall in state matching funds transferred to the HAVA accounts, and the lack of the compounding because interest was not deposited to the HAVA accounts timely.

- As of August 31, 2006, there was a shortfall in the amount of funds provided by the state as matching funds, as well as lost interest earnings because of a delay in providing the matching funds.
- The physical security over voting equipment purchased with HAVA funds and controlled by the counties need improvement.

We have included in this report the IED's formal responses to our draft report and recommendations dated April 27, 2007. The IED agreed with the recommendations related to reporting issues, the shortfall in state matching funds, and the loss of the compounding effect caused by delays in posting interest earned. The IED disagreed with the recommendations regarding the lack of controls over property at the county level, and the lost interest from delays in posting the state matching funds.

### **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)(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 )(1)).

## **AUDIT OBJECTIVES**

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

1. Used payments authorized by Sections 101, 102, 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;
3. 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:

4. 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.
5. 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.
6. Submit detailed annual financial reports on the use of Title I and Title II payments.<sup>1</sup>

## **SCOPE AND METHODOLOGY**

We audited the HAVA funds received and disbursed by the IED from May 1, 2003 through August 31, 2006.

Funds received and disbursed from May 1, 2003 (program initiation date) to August 31, 2006 (41-month period):

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<sup>1</sup> EAC requires states to submit annual reports on the expenditure of HAVA Sections 101, 102, and 251 funds. For Sections 101 and 102, reports are due on February 28 for the activities of the previous calendar year. For Section 251, reports are due by March 31 for the activities of the previous fiscal year ending on September 30.

<u>TYPE OF PAYMENT</u>	<u>AMOUNT RECEIVED</u>	<u>AMOUNT DISBURSED</u>	<u>DATA AS OF</u>
101	\$6,309,538	\$1,617,285	8/31/2006
102	9,601,275	9,601,052	8/31/2006
251	51,144,283	50,211,822	8/31/2006
	<u>\$67,055,283</u>	<u>\$61,430,159</u>	

Note: The above table does not include auditors' adjustments for the state matching shortfall (\$129,919) and additional interest earned through August 31, 2006 (\$2,093,036) that was not posted to financial records as of August 31, 2006, but should be made available for the HAVA program.

Our audit methodology is set forth in Appendix B.

### **AUDIT RESULTS**

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

Except for the accounting and reporting of the interest and state matching funds, our audit concluded that IED generally 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 state outlays. We also identified areas needing IED's management attention, as described below:

#### **I. Financial Reporting**

The Financial Status Report, Standard Forms 269, did not include all of the required information or included incorrect information.

- Interest earned on HAVA funds deposited with the State of Indiana in the Sections 101, 102 and 251 accounts was not reported on Form SF 269. Interest income aggregating \$2,283,208 through June 30, 2006, was earned on HAVA funds deposited with the state, and should have been included in the total receipts on Line 10.o. on the financial forms at each reporting period. The interest earned for the reporting year and the cumulative interest earnings to the date of the report should be reported in the explanation block on Line 12.

HAVA, Section 254(b) (1), Requirements for Election Fund states that, "For purposes of subsection (a) (5), a fund described in this subsection with respect to a State is a fund which is established in the treasury of the State government, which is used in accordance with

paragraph (2), and which consists of the following amounts: (D) Interest earned on deposits of the fund.” Since interest is included in the fund balance, it should also be reported with the federal funds authorized on the SF 269, and explained in Line 12, Remarks.

- The expenditures reported on the Section 102 and Title II Financial Status Report, SF 269, for 12/31/05 and 9/30/05, did not agree with the amounts recorded to date in the HAVA financial records, as follows:
  - The 12/31/05 expenditures for Section 102 were underreported by \$261,086 as that would have placed the balance of funds available in a negative position on the SF 269. The negative balance in this fund was subsequently recorded by interest earning and transfers from Title II funds prior to 7/31/05.
  - The 9/30/05 expenditures for Title II funds reported on the SF 269 exceeded the total to date in the financial system by \$1,061,458.

The instructions for the Financial Status Report, SF 269, states that for Line 10a – “Enter total gross program outlays.....For reports prepared on a cash basis, outlays are the sum of actual cash disbursements for direct costs for goods and services, the amount of direct costs for goods and services, the amount of indirect expense charged, the value of in-kind contributions applied, and the amount of cash advances and payments made to subrecipients. For reports prepared on an accrual basis, outlays are the sum of actual cash disbursements for direct charges for goods and services, the amount of indirect expense incurred, the value of in-kind contributions applied, and the net increase or decrease in the amounts owed by the recipient for goods and other property received, for services performed by employees, contractors, subgrantees and other payees, and other amounts becoming owed under programs for which no current services or performances are required, such as annuities, insurance claims, and other benefit payments.”

***Recommendations:***

1. Ensure that the Financial Status Report, SF 269 contains complete and accurate information prior to filing, as identified on EAC’s website at [http://www.eac.gov/docs/Model\\_269\\_Title\\_II\\_final.pdf](http://www.eac.gov/docs/Model_269_Title_II_final.pdf).
2. Contact USEAC to determine if amended reports will have to be filed for prior periods to provide the correct information.

***IED’s Response:***

The IED agrees with this finding and stated that all financial reports had been reviewed and amendments were submitted to EAC’s OIG on April 5, 2007. Also, procedures had been revised internally, and with the State Treasurer’s and State Auditor’s offices, to improve the reporting process for future reports submitted for the Indiana HAVA program.

## II. Interest Earned

The State treasurer's office computed interest earned by the HAVA program through June 30, 2006, totaling \$2,200,179; however, during our review, we noted the following:

- no interest was recorded in the HAVA accounts until April 2006. Since the account balances used to determine the amount did not include the interest earned to date, earnings were lost from the compounding effect.
- State matching funds were deposited to the HAVA Sec. 251 funds in installments over a twenty-two month period, and should have been included in full at the date of receipt of the requirements payments. There was lost interest because of the delayed receipt of funds, as noted in recommendation 4.
- there was a shortage in the amount of State matching funds transferred to the HAVA account, resulting in lost interest on the shortage amount, as noted in recommendation 4.
- interest earnings for the period from inception of the program through September 30, 2004 totaling \$332,341, was recorded in the HAVA accounts in April 2006.

The estimated financial impact of these observations is determined as follows:

Interest earnings computed by the State treasurer	\$2,200,179
Interest earnings for July and August 2006	142,169
Lost interest from the shortage in State matching funds	8,142
Lost interest from delayed deposit of State matching funds and the lack of compounding effect	<u>74,887</u>
Total interest through 8/31/06 as recalculated	\$2,425,377
Less interest recorded in April 2006	<u>332,341</u>
Estimated understatement of HAVA accounts – 8/31/06	<u>\$2,093,036</u>

### ***Recommendation:***

3. Verify the amount of interest earned on HAVA funds, based on the timely depositing of all monies owed the election fund, and update the election fund account(s) with the additional funds.

### ***IED's Response:***

The IED agreed that the earned interest was not deposited in a timely manner, and stated that the Treasurer of the State of Indiana's office was reviewing the calculations worksheet prepared by the Clifton Gunderson auditor to verify the difference between the amounts of interest earned and deposited. After verifying the correct interest differential, a transfer of funds would be made to the appropriate HAVA accounts.

They also stated that the Treasurer's office, in the future, would make the interest calculations monthly instead of quarterly to prevent future discrepancies.

### **III. State Matching Funds**

As of August 31, 2006, there is a \$129,919 shortfall in the amount of state matching funds required to augment Section 251 HAVA funds received, because the requirement to provide an additional amount equal to 5% of the state matching funds was not considered. The method of computing the amount of the state matching funds, as set forth in HAVA Section 253(b)(5), is to divide the requirements payments to be received from the federal government by 95%, and then multiply the grossed up number by 5%. For Indiana, the \$48,544,987 Section 251 proceeds, divided by 95%, equals \$51,099,986. The difference between the two numbers is the state matching requirement of \$2,554,999, compared to the amount provided by the state totaling \$2,425,080.

In addition, 100% of the state matching funds transferred to the HAVA accounts were not deposited in advance of receiving the Sec. 251 requirements payments. They were paid in installments during the period June 19, 2004 through April 1, 2006, resulting in lost interest income estimated to be \$8,142.

#### ***Recommendations:***

4. Ensure that the state matching funds shortfall of \$129,919 is transferred to the HAVA election fund.
5. Determine the actual amount of lost interest income, based on the required state matching funds total from the date of receipt of the Section 251 requirements payment from the federal government, and transfer the earnings to the HAVA election fund.

#### ***IED's Response:***

The IED agreed that there was an underpayment of the amount of state matching funds, due to unfamiliarity with the matching guidelines, and have included a request in the 2008-09 biennial budget to fund the difference. As regards the lost interest, the IED believes that the state matching funds had been properly appropriated, in accordance with Indiana budget processes. Allotments of those funds were made prior to expenditure on the HAVA program, and at no time did HAVA expenditures allocated to the state matching funds exceed the balance of those funds.

#### ***Auditors' Response:***

We believe that the HAVA regulations are very explicit, as set forth in Section 253, where it states that:

“(a) In General.-A State is eligible to receive a requirements payment for a fiscal year if the chief executive officer of the State, or designee, in consultation and coordination with the chief State election official, has filed with the Commission a statement certifying that the State is in compliance with the requirements referred to in subsection (b).....”

“(b)(5) The State has appropriated funds for carrying out the activities for which the requirements payment is made in an amount equal to 5 percent of the total amount to be spent for such activities (taking into account the requirements payment and the amount spent by the State) and, in the case of a State that uses a requirements payment as a reimbursement under section 251(c)(2), an additional amount equal to the amount of such reimbursement.”

It appears that the intent of Section 253(a) is that the requirements set forth in Section (b) should be met as a condition of receiving any requirements payments from the federal government.

#### **IV. Personal Property Records and Inventory Control**

The personal property records and inventory control are maintained by the counties. During our physical inventory audit of voting machines at one of the counties selected for testing, we observed that access to the machines was not adequately controlled since more than 20 employees worked in the warehouse had access to the machines. The warehouse where the machines were stored was shared with the court house. There was no separation between the two spaces and entry was obtained through the same door.

The Code of Federal Regulations at 41CFR105-71.132(3) states that a control system must be developed to ensure adequate safeguards to prevent loss, damage or theft of the property. Any loss, damage or theft shall be investigated.

##### ***Recommendation:***

6. The State should make the counties aware of the federal guidelines and the USEAC guidance in the pamphlet entitled *Quick Start Management Guide* issued in September 2006 relating to the security of voting machines and other equipment.

##### ***IED's Response:***

The IED disagreed with the recommendations and stated that:

It is the State's position that the voting equipment acquired by the county, either with HAVA reimbursed funds or otherwise, is the responsibility of the county. Additionally, each county is responsible for determining the type of inventory records and physical controls.

However, the Indiana Secretary of State and IED will contact all the counties, and provide them the Indiana State Board of Accounts' guidelines for complying with federal and state procedural matters. The counties will also receive a copy of 41 CFR 105-71.132 covering federal guidelines for property controls.

##### ***Auditor's Response:***

We concur with the proposed steps to be taken by the IED, and encourage the State to consider requesting counties to certify, on an annual basis, that they are in compliance with the minimum requirements of maintaining personal property and the property records. This certification would help the State ensure that property purchased with federal funds is properly controlled.

SECRETARY OF STATE  
STATE OF INDIANA



Todd Rokita  
Secretary of State

April 27, 2007

Mr. Curtis Crider, Inspector General  
U.S. Election Assistance Commission  
Office of the Inspector General  
1225 New York Avenue NW – Suite 1100  
Washington, D.C. 20005

Dear Mr. Crider:

On behalf of Secretary of State Todd Rokita and the Indiana Election Division, I would like to thank you for the professional and thorough audit conducted by representatives from Clifton Gunderson, LLP in August and September of 2006. While our office is continually monitoring, reviewing and updating our operating procedures, we appreciate feedback and advice from independent accounting professionals.

I would note as a point of clarification that while the Secretary of State manages the funds dispersed by the U.S. Election Assistance Commission (EAC) under the Help America Vote Act of 2002 (HAVA), the independent Indiana Election Commission Co-Directors have an opportunity to review and offer consent on these expenditures and associated reports.

With respect to the results reported as a result of Clifton Gunderson, LLP's audit of the HAVA program in Indiana, I would like to respond to the comments in the 2006 audit report as follows:

**I. Financial Reporting**

All financial reports have been reviewed and amendments submitted to the US Election Assistance Commission's Office of the Inspector General on April 5, 2007, via electronic mail. Additionally, the original copies of these documents were sent via express courier and received by the same office on April 6, 2007. The deadline of March 30, 2007, was extended by one week by the Office of the Inspector General due to delayed guidance by said office. Supporting documents may be found in Appendix A.

Procedures have been revised internally, and with the State Treasurer's and State Auditor's offices to improve the reporting process for future reports submitted for the Indiana HAVA program.

## **II. Interest Earned**

As of the date of this letter, the Treasurer of the State of Indiana's office is reviewing the calculations worksheet prepared by Clifton Gunderson, LLP and to verify the difference between the amounts of interest earned and deposited. Upon their determination of the accuracy of the calculations, a transfer will be made into the corresponding HAVA accounts.

The Treasurer of the State of Indiana's office has agreed to calculate interest on the HAVA accounts monthly rather than quarterly to prevent future discrepancies in interest collection. Please see the memorandum in Appendix B.

## **III. State Matching Funds**

The State of Indiana calculated the 5% state matching funds based on 5% of an estimated grant award by the federal government. It was discovered in the summer of 2006, during a review of the Indiana HAVA program, that there is a different formula for calculating the 5% match required for HAVA which resulted in a shortfall of state matching funds. Upon this discovery, the Indiana State Budget Agency was notified and an appropriation of \$129,920 was added to the State of Indiana's 2008-2009 Biennial Budget. This appropriation is located on page 19 of the current version of House Bill 1001 {Appendix C}. A final version of the budget is scheduled to become law following the Governor's signature in early May (assuming the budget is passed by both chambers of the Indiana General Assembly **and** the Governor approves the version passed).

While drafting the Indiana State Plan for Implementing the Help America Vote Act of 2002 (State Plan), the Vote Indiana Team members used conservative estimates of expected federal awards to arrive at funding levels. When it was realized that Indiana was to receive approximately \$8 million more in federal funds in June 2004, the Indiana State Budget Agency was contacted and an emergency appropriation was made to satisfy the matching requirement of HAVA.

There appears to be a difference in the definition of "appropriated" between the terminology used by the State of Indiana and the Federal Government. In Indiana's budget processes, the Indiana General Assembly "appropriates" funds used in a given fiscal year in the state's biennial budget. Those funds are then "allotted" and distributed in a fund center for use by a given agency. It was the perception of the State of Indiana that prior to spending federal funds which required matching funds, those matching funds must have been allotted for use (as they had already been appropriated following the passage of the budget). Matching funds were allotted quarterly, following the initial matching funds allotment. **At no time did HAVA expenditures exceed balances from required state matching funds.** With one exception, all relevant HAVA matching funds

were appropriated by the Indiana General Assembly following passage of the 2004-2005 State of Indiana Biennial Budget (and additional emergency appropriations that were made in June 2004).

#### **IV. Personal Property Records and Inventory Control**

It remains the position of the Secretary of State and Indiana Election Division that voting equipment either acquired through HAVA reimbursements, or through the county's own impetus, is the property of the county. In Indiana, counties select 100% of all voting equipment. Therefore, it is the responsibility of the county to determine the type of inventory records and control employed.

However, the Indiana Secretary of State and Indiana Election Division will communicate to all 92 counties, the following guidelines provided by the Indiana State Board of Accounts {Appendix D}:

*“Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies...”*

Additionally, a copy of 41 CFR 105-71.132 will be provided to each of the counties to assist in their review of procedures to secure property in conformity with federal regulations.

Again, on behalf of the Secretary of State's office and Indiana Election Division I appreciate your efforts to aid the state as we strive to provide the highest possible levels of government services and accountability to Indiana taxpayers. Please do not hesitate to contact me if you have any questions or require additional information. Thank you.

Best regards,



Joseph E. McLain  
HAVA Administrator  
Indiana Secretary of State Todd Rokita  
Direct Tel: (317) 234-8683

CC: Hon. Todd Rokita, Indiana Secretary of State  
Mr. Paul Okeson, Deputy Secretary of State and Chief of Staff  
Mr. J. Bradley King, Co-Director Indiana Election Division  
Mrs. Pamela Potesta, Co-Director Indiana Election Division

# Appendix A



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## Track Shipments Detailed Results

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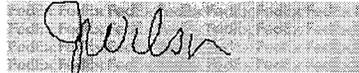
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STATE OF INDIANA  
OFFICE OF THE TREASURER  
INDIANAPOLIS  
46204

Appendix B

RICHARD E. MOURDOCK  
TREASURER OF STATE

To: Joseph McLain, HAVA Administrator  
Secretary of State's Office

From: Michael Frick, Deputy Treasurer of State

Date: April 27, 2007

Re: Interest calculations on the HAVA accounts

Joe,

Per our discussion earlier this week, I wanted to follow up with a letter indicating that I will review the interest calculations performed by the federal auditors. Upon verification of the accuracy of the calculations, I will transfer the additional interest earnings that are due the HAVA accounts. It is also my understanding that you will provide me a report of the average daily balances in each of the HAVA accounts on a monthly basis going forward and I will then do monthly calculations of the interest due those accounts.



Reprinted  
April 11, 2007

**ENGROSSED  
HOUSE BILL No. 1001**

DIGEST OF HB 1001 (Updated April 10, 2007 6:03 am - DI 73)

**Citations Affected:** Numerous provisions throughout the Indiana Code.

**Synopsis:** State Budget. Appropriates money for state agencies and other distributions. Specifies the school funding formula to be used to distribute state tuition support to schools. Authorizes construction and bonding for certain projects. Provides that the balance in the state rainy day fund at the end of a state fiscal year is appropriated to the state general fund only to the extent the balance exceeds 10% (rather than 7%, under current law) of state general fund revenues. Provides that before a state agency may enter into certain contracts or agreements: (1) the state agency must conduct a public hearing; and (2) the budget committee must make a recommendation to the budget agency. Specifies that these requirements apply only to a contract or agreement that is first entered into by a state agency and a private contractor or vendor after June 30, 2007, and under which: (1) the initial term of the contract or agreement plus the term of any possible renewal or extension periods is at least four years; (2) the amount to be paid by the state agency during the initial term and possible renewal or extension periods is, or is estimated to be, at least \$10,000,000; and (3) the private contractor or vendor will provide services that before the  
(Digest next page)

**Effective:** Upon passage; July 1, 2006 (retroactive); January 1, 2007 (retroactive); July 1, 2007; January 1, 2008.

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**Crawford, Cochran**

(SENATE SPONSORS — MEEKS, MRVAN, KENLEY, SIMPSON)

January 23, 2007, read first time and referred to Committee on Ways and Means.  
February 19, 2007, amended reported — Do Pass.  
February 21, 2007, read second time, amended, ordered engrossed.  
February 22, 2007, engrossed; read third time, recommitted to Committee of One, amended.  
February 23, 2007, re-engrossed; passed. Yeas 51, nays 48.

SENATE ACTION

March 5, 2007, read first time and referred to Committee on Appropriations.  
April 5, 2007, amended, reported — Do Pass.  
April 10, 2007, read second time, amended, ordered engrossed.



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**FOR THE SECRETARY OF STATE  
ELECTION DIVISION**

Personal Services	676,031	698,959
Other Operating Expense	598,793	598,922
<b>VOTER REGISTRATION AND PROCEDURES</b>		
Total Operating Expense	129,920	0
<b>VOTER LIST MAINTENANCE</b>		
Total Operating Expense	112,500	112,500

**H. COMMUNITY SERVICES**

**FOR THE GOVERNOR'S OFFICE OF FAITH BASED & COMMUNITY INITIATIVES**

Personal Services	244,064	244,064
Other Operating Expense	71,488	71,488

**SECTION 4. [EFFECTIVE JULY 1, 2007]**

**PUBLIC SAFETY**

**A. CORRECTION**

**FOR THE DEPARTMENT OF CORRECTION**

**CENTRAL OFFICE**

Personal Services	21,691,462	21,691,462
Other Operating Expense	6,652,175	6,652,175

The above appropriations for central office include \$75,000 each year for the juvenile justice task force.

The above appropriation includes funds to provide salary increases for custody staff of about 8% beginning in fiscal year 2008.

**ESCAPEE COUNSEL AND TRIAL EXPENSE**

Other Operating Expense	198,000	198,000
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**COUNTY JAIL MISDEMEANANT HOUSING**

Total Operating Expense	4,281,101	4,281,101
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**ADULT CONTRACT BEDS**

Total Operating Expense	3,000,000	3,000,000
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**STAFF DEVELOPMENT AND TRAINING**

Personal Services	1,198,305	1,198,305
Other Operating Expense	117,640	117,640

**PAROLE DIVISION**

Personal Services	8,126,308	8,126,308
Other Operating Expense	895,534	895,534

**PAROLE BOARD**

Personal Services	580,285	580,285
Other Operating Expense	20,222	20,222

**INFORMATION MANAGEMENT SERVICES**

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### \* Federal and State Agencies - Compliance Requirements

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action.

### Fees

Fees should only be collected as specifically authorized by statute or properly authorized resolutions or ordinances, as applicable, which are not contrary to statutory or Constitutional provisions.

### Financial Report Opinion Modifications

Accounting records and other public records must be maintained in a manner that will support accurate financial statements. Anything other than an unqualified opinion on the Independent Auditor's Report on the financial statements may have adverse financial consequences with the possibility of an increase in interest rate cost to the taxpayers of the governmental unit.

### Fundraisers

Governmental units which conduct fund raising events should have the express permission of the governing body for conducting the fund raiser as well as procedures in place concerning the internal controls and the responsibility of employees or officials.

### Fund Sources and Uses

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement.

### Indebtedness

A governmental unit may not incur indebtedness unless specifically allowed by statute.

### Interest on Investments

Interest on investments should not be automatically added into the investment. Instead, interest on investments should be paid to the governmental unit at each maturity date and posted to the appropriate fund.

### Internal Controls

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making.

## 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 IED employees about the organization and operations of the HAVA program.
- Reviewed prior single audit report and other reviews related to the State of Indiana's financial management systems and the HAVA program for the last 2 years.
- Reviewed policies, procedures and regulations for the IED'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 of Indiana 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 maintenance of effort 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 of Indiana has sustained the state's level of expenditures for Elections.

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**MONETARY IMPACT AS OF AUGUST 31, 2006**

<i>Description</i>	<i>Additional Funds for Program</i>
Interest	\$2,084,036
State Match Delayed Deposit Interest Shortfall	8,142
State Match Shortfall	129,919
Totals	\$2,222,955

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## **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.

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## **Obtaining Copies of OIG Reports**

Copies of OIG reports can be requested by e-mail.  
([eacoig@eac.gov](mailto: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

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## **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](mailto:eacoig@eac.gov)

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

FAX: 202-566-0957

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