



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

**FINAL REPORT:**

**Administration of Payments Received  
Under the Help America Vote Act by the  
Illinois State Board of Elections**

**JANUARY 1, 2006 THROUGH AUGUST 31, 2010**

**Report No.  
E-HP-IL-12-10  
May 2011**



**U.S. ELECTION ASSISTANCE COMMISSION**  
**OFFICE OF INSPECTOR GENERAL**  
**1201 New York Ave. NW - Suite 300**  
**Washington, DC 20005**

May 6, 2011

Memorandum

To: Thomas Wilkey  
Executive Director

From: Curtis W. Crider *Curtis W. Crider*  
Inspector General

Subject: Final Audit Report - Administration of Payments Received Under the Help America  
Vote Act by the Illinois State Board of Elections  
(Assignment Number E-HP-IL-12-10)

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 Illinois State Board of Elections (SBOE). 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 SBOE, Clifton Gunderson concluded that, except for the maintenance of comprehensive property records, the SBOE 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 SBOE also complied with section 251 requirements.

In its February 22, 2011 response to the draft report (Appendix A-1), the SBOE agreed with the report's finding and recommendation, and provided corrective action.

On April 7, 2011, the EAC response (Appendix A-2) indicated general agreement with the report finding and recommendation, and stated that they would work with the state to ensure corrective action. We would appreciate being kept informed of the actions taken on our recommendations as we will track the status of their implementation. Please respond in writing to the finding and recommendation included in this report by July 6, 2011. Your response should include information on actions taken or planned, targeted completion dates, and titles of officials responsible for implementation.

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 ILLINOIS**

**January 1, 2006 Through August 31, 2010**

**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 Illinois**

**EXECUTIVE SUMMARY**

Clifton Gunderson LLP was engaged by the U.S. Election Assistance Commission (EAC or the Commission) Office of Inspector General (OIG) to conduct a performance audit of the Illinois State Board of Elections (SBOE) for the period January 1, 2006 through August 31, 2010 to determine whether the SBOE 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 and for a matching contribution. In addition, we were engaged to conduct a performance audit of the election fund receipts from August 27, 2003 to December 31, 2005.

EAC OIG conducted a performance audit of SBOE's expenditures, but not the total receipts, of the HAVA program from inception through December 31, 2005, and issued a report dated October 18, 2006. We have reviewed SBOE's corrective actions with respect to the findings and recommendations included in the EAC OIG report. We found that the recommendations have been implemented.

Our audit did not include a determination that the SBOE met the requirements for maintenance of a base level of state outlays, commonly referred to as Maintenance of Expenditures (MOE). On June 28, 2010, the Commission issued a revised definitive policy on the requirements for the MOE. The policy included a provision that the states will have 12 months from the date of the revised policy to voluntarily submit a revised MOE plan to the EAC. Accordingly, our scope of audit did not include a determination of whether the SBOE and its subgrantees met the requirements for MOE.

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, *Cost Principles for State, Local, and Indian Tribal Governments*.
- 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 maintenance of adequate property records over HAVA funded equipment, as discussed below, our audit concluded that the SBOE generally accounted for and expended HAVA funds in accordance with the requirements mentioned above for the period from January 1, 2006 through August 31, 2010. The exception needing SBOE's management attention is as follows:

- Inventory listings of voting equipment did not conform to the requirements of 41 C.F.R. 105-71.132 (d) (1), (the Common Rule) at five of the seven local election jurisdictions we visited. The listings did not include required elements such as the use and condition of the property, or the federal, state, or county percentage of ownership.

We have included in this report as Appendix A-1 the SBOE management's formal response to the draft report dated February 22, 2011. Although we have included management's written responses to our notices of findings and recommendations, such responses have not been subjected to the audit procedures and, accordingly, we do not provide any form of assurance on the appropriateness of the responses or the effectiveness of the corrective actions described therein. SBOE officials agreed with our recommendations.

The draft report, including the SOS responses, was provided to the Executive Director of the EAC for review and comment. The EAC responded on April 7, 2011, and generally agreed with the report's finding and recommendation. The EAC stated that they would work with the state to ensure appropriate corrective action. The EAC's complete response is included as Appendix A-2.

## **BACKGROUND**

HAVA created the 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 Illinois SBOE:

1. Used payments authorized by Sections 101, 102, and 251 of 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 and for a matching contribution except for the requirements for maintenance of a base level of state outlays, commonly referred to as Maintenance of Expenditures (MOE). On June 28, 2010, the Commission issued a revised definitive policy on the requirements for the MOE. The policy included a provision that the states will have 12 months from the date of the revised policy to voluntarily submit a revised MOE plan to the EAC. Accordingly, our scope of audit did not include a determination of whether the SBOE and its subgrantees met the requirements for MOE.

In addition, to accounting 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:

1. 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.
2. Expend payments in accordance with cost principles for establishing the allowance or disallowance of certain items of cost for federal participation issued by the OMB.
3. Submit detailed annual financial reports on the use of Title I and Title II payments.<sup>1</sup>

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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. Through December 31, 2008, for Sections 101 and 102, reports were due on February 28 for the activities of the previous calendar year, and, for Section 251, reports were due by March 30 for the activities of the previous fiscal year ending on September 30. Beginning in calendar year 2009, all reports will be effective as of September 30, 20XX for the fiscal year ended that date and will be due by December 31, 20XX.

## **SCOPE AND METHODOLOGY**

We audited the HAVA funds received from August 27, 2003 through August 31, 2010, and disbursed from January 1, 2006 through August 31, 2010.

Funds received and disbursed by the HAVA program from inception, August 27, 2003, through August 31, 2010 (85-month period) are shown in the following table:

TYPE OF PAYMENT	FUNDS RECEIVED					FUNDS DISBURSED	DATA AS OF
	EAC PAYMENT	PROGRAM INCOME	STATE MATCH	INTEREST EARNED	TOTAL AVAILABLE		
Section 101	\$ 11,129,030	\$ 0	\$ 0	\$ 1,134,816	\$12,263,846	\$10,840,978	8/31/2010
Section 102	33,805,617	0	0	1,232,393	35,038,010	33,669,668	8/31/2010
Section 251	110,542,880	0	5,816,250	7,633,287	123,992,417	103,582,838	8/31/2010
Total	<u>\$ 155,477,527</u>	<u>\$ 0</u>	<u>\$5,816,250</u>	<u>\$10,000,496</u>	<u>\$ 171,294,273</u>	<u>\$148,093,384</u>	8/31/2010

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 maintenance of adequate property records, our audit concluded that the SBOE generally accounted for and expended HAVA funds in accordance with the requirements mentioned above. The SBOE has taken action on or is working to resolve the exceptions described below as set forth in Appendix A-1:

### **I. Property Records for HAVA Funded Equipment**

The equipment listings provided to us by the five of the seven local jurisdictions we visited, did not conform to the requirements of 41 C.F.R. 105-71.132 (d)(1), (the Common Rule). We noted that the listings included the serial number and the location, but it did not always include a description of the property and use and condition, source, or federal or local jurisdiction percentage of ownership

The Uniform Administrative Requirements for Grants and Cooperative Agreements with State and Local Governments, 41 CFR § 105-71.132(d)(1), referred to as the Common Rule, states that property records must be maintained that include a description of the property, a serial

number or other identification number, the source of property, who holds the title, the acquisition date, cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property. The Common Rule, 41 CFR § 105-71.132(d)(3), also requires that a control system must be developed to ensure adequate safeguards to prevent loss, damages or theft of the property.

SBOE election officials had advised local jurisdictions of the requirements of the Common Rule but not all of these jurisdictions had prepared inventory records that were in compliance with the Common Rule.

**Recommendation:**

We recommend that the SBOE continue to work with local jurisdictions to ensure that the property records include the minimum information required by the Common Rule.

**SBOE's Response:**

The SBOE concurred with the finding and recommendation, and stated that, although they had notified the jurisdictions of the requirements on multiple occasions and provided them with a worksheet to comply with the rules, a number of jurisdictions have not complied. The SBOE stated that they would continue to work with the sub-recipients to achieve compliance.

\*\*\*\*\*

We provided a draft of our report to the appropriate individuals of the Illinois SBOE and the EAC. We considered any comments received prior to finalizing this report.

The EAC's response dated April 7, 2011, generally agreed with the report's finding and recommendation. The EAC stated that they would work with the state to ensure appropriate corrective action. The EAC's complete response is included as Appendix A-2.

CG performed its work between September 13, 2010 and October 1, 2010.

*Clifton Henderson LLP*

Calverton, Maryland  
October 15, 2010

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February 22, 2011

Mr. Curtis Crider  
Inspector General  
U.S. Election Assistance Commission  
1201 New York Avenue NW – Suite 300  
Washington, DC 20005

Dear Mr. Crider:

The Illinois State Board of Elections (SBE) has received the draft report entitled "*Performance Audit Report – Administration of Payments Received Under the Help America Vote Act by the State of Illinois*" for the audit period January 1, 2006 through August 31, 2010.

We concur with your observation that specific election jurisdictions have not fully complied with maintaining property management records as required by the Common Rule. Although we have notified the jurisdictions on multiple occasions of their responsibility to maintain such records and have supplied them with an Excel spreadsheet to include all of the necessary information, a number of jurisdictions have not complied. Upon the final report being issued to the EAC, we will once again communicate with all sub-recipient counties, to remind them of their obligation to comply with Federal property control requirements.

If you need further information do not hesitate to contact our office.

Sincerely,

Rupert T. Borgsmiller  
Executive Director

cc: Becky Glazier, HAVA Operations  
Mike Roate, Chief Fiscal Officer



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**EAC RESPONSE TO THE DRAFT AUDIT:**  
*OIG Performance Audit Report on the Administration of  
Payments Received Under the Help America Vote Act by the  
State of Illinois, for the Period January 1, 2006 Through  
August 31, 2010.*

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April 7, 2011

MEMORANDUM

To: Curtis Crider  
Inspector General

From:  Thomas R. Wilkey  
Executive Director

Subject: Draft Performance Audit Report – “Administration of Payments  
Received Under the Help America Vote Act by the State of Illinois”.

Thank you for this opportunity to review and respond to the draft audit report for Illinois.

The Election Assistance Commission (EAC) generally concurs with the results of the review and recommendation. The EAC will work with the Illinois State Board of Elections (SBOE) to ensure appropriate corrective action.

## 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 SBOE 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 SBOE'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 meet the five percent matching requirement for section 251 requirements payments.
- Evaluated compliance with the requirements for accumulating financial information reported to the Commission on the Financial Status Reports, Forms SF-269 and 425, accounting for property, purchasing HAVA related goods and services, and accounting for salaries.
- Verified the establishment and maintenance of an election fund.
- Conducted site visits of selected counties/towns to perform the following:
  - Observe equipment purchased with HAVA funds for proper accounting and safeguarding
  - Ensure compliance with HAVA Act.

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

FAX: 202-566-0957

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