

***SEMIANNUAL REPORT***

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



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***For the Period:  
April 1, 2007, Through  
September 30, 2007***



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

October 19, 2007

The Honorable Donetta Davidson  
Chairwoman  
U.S. Election Assistance Commission  
1225 New York Avenue NW– Suite 1100  
Washington, D.C. 20005

Dear Madam Chairwoman:

The Inspector General Act of 1978 (Public Law 95–452), as amended, calls for the preparation of semiannual reports to the Congress summarizing the activities of the Office of Inspector General (OIG) for the six-month periods ending each March 31 and September 30. I am pleased to enclose the report for the period from April 1, 2007 to September 30, 2007.

The Inspector General's report covers audits, investigations and other reviews conducted by the OIG as well as audits conducted by independent auditors. The report also indicates the status of management decisions whether to implement or not to implement recommendations made by the OIG.

The Act requires that you transmit the report to the appropriate committees of the Congress within 30 days of receipt, together with any comments you may wish to make. Comments that you might offer should be included in your management report that is required to be submitted along with the Inspector General's report. We will work closely with your staff to assist in the preparation of the management report. The due date for submission of both reports is November 30, 2007.

I appreciate the continuing support we have received from the Chair's Office and your managers throughout the Commission. Working together, I believe we have taken positive steps to improve Commission programs and operations. We look forward to continuing these efforts.

Sincerely,

A handwritten signature in blue ink that reads "Curtis W. Crider". The signature is written in a cursive style with a blue ink color.

Curtis Crider  
Inspector General

## Table of Contents

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	<u>Page</u>
Election Assistance Commission Profile	1
Office of Inspector General Operations	3
Performance Audits	3
State Audits	4
Investigations	9
Other Activities	9
Appendices:	
A. Reports Issued	10
B. Monetary Impact of Audit Activities	13
C. Reports with Questioned Costs	14
D. Reports with Potential Additional Program Funds	15
E. Summary of Reports More Than 6 Months Old Pending Corrective Action At September 30, 2007	16
F. Reporting Requirements of the Inspector General Act	17

## EAC PROFILE

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Congress established the Election Assistance Commission (EAC) with the passage of the Help America Vote Act (HAVA) in October 2002. EAC became operational in fiscal year 2004.

### *Among EAC's Key Duties Are:*

*Instituting a program to test and certify voting systems to standards developed by EAC*

HAVA requires EAC's to:

Generate technical guidance on the administration of federal elections.

Produce voluntary voting systems guidelines.

*Administering the use of \$3 billion in Federal payments and grants*

Research and report on matters that affect the administration of federal elections.

*Researching various Federal election administration topics*

Otherwise provide information and guidance with respect to laws, procedures, and technologies affecting the administration of Federal elections.

Administer payments to States to meet HAVA requirements.

Manage funds targeted to certain programs designed to encourage youth participation in elections.

Develop a national program for the testing, certification, and decertification of voting systems.

Maintain the national mail voter registration form that was developed in accordance with the National Voter Registration Act of 1993 (NVRA), report to Congress every two years on the impact of the NVRA on the administration of federal elections, and provide information to States on their responsibilities under that law.

Audit organizations which received federal funds authorized by HAVA from the General Services Administration or the Election Assistance Commission.

Submit an annual report to Congress describing EAC activities for the previous fiscal year.

## OIG OPERATIONS

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*The EAC OIG has one permanent full-time position (the Inspector General), and one contract auditor from the U.S. Department of the Interior, and a contract with an independent public accounting firm for additional audit support. The EAC OIG obtains investigative assistance under reimbursable agreements from other Inspectors General.*

HAVA added the EAC to the list of designated Federal entities covered by the Inspector General Act (IG) of 1978 (Public Law 95–452, as amended). According to the IG Act, inspectors general:

Conduct and supervise internal reviews, audits and evaluations of agency programs and operations;

Provide leadership and coordination, and recommend actions to management, which: (1) promote economy, efficiency, and effectiveness in agency programs and operations; and (2) prevent and detect fraud, waste, abuse, and mismanagement of government resources; and

Keep the agency head, management, and the Congress fully informed regarding problems and deficiencies, and the progress of corrective action.

### Performance Audits

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*Management of Travel by the Election Assistance Commission*

The audit found that travel was not performed in accordance with the Federal Travel Regulation. The audit identified errors in 91 percent of the travel packages (authorizations and vouchers) examined. While the majority of the errors were minor, such as claiming taxes as part of the lodging rate, some were more significant, such as traveling to a location that was not authorized or claiming a lodging rate that exceeded the authorized rate. Overall, the

mistakes evidence a need for independent controls and clear instructions on the preparation and approval of authorizations and vouchers, and for effective reviews of the accuracy of the travel claims. We also noted a need for procedures to ensure that international travel is essential to the EAC mission and that employees receive compensatory time when traveling on their own time.

Finally, we concluded that travel cards were adequately controlled and used for official purposes and that travelers generally paid their travel card bills on time.

In its response to the draft report, the EAC concurred with the findings and recommendations. The response indicated that the EAC administrative staff had begun additional oversight of employee travel authorizations and vouchers and had arranged for additional training. In addition, the EAC would draft internal policies and procedures to address the issues raised in the report.

## State Audits

### *Audits of the Use of HAVA Funds by States*

Six audits of State use of HAVA funds were completed during the six month period. The objective of the audits was to determine whether the States:

(1) managed HAVA funds in accordance with the

Uniform Administrative Requirements for Grants and Cooperative Agreements with State and Local Governments (the Common Rule) and the Cost Principles for State, Local, and Indian Tribal Governments (Office of Management and Budget Circular A-87) and

(2) complied with HAVA requirements for maintaining the election fund and sustaining the State's level of expenditures for elections.

The audits found that:

*The OIG completed audits of Ohio, and Maryland*

**OHIO** generally administered HAVA funds in accordance with requirements. We also found that Ohio properly established the State election fund, appropriated and deposited into the election fund its matching monies, and sustained the appropriate level of State expenditures for elections. Ohio did not, however, deposit into the election fund, as required by HAVA, interest earned on the HAVA payments and on State matching funds. Based on our inquiries, the Ohio legislature instructed the Director of Ohio's Office of Budget and Management to deposit into the election fund interest of \$6.8 million earned on the HAVA funds. We also found that Ohio needs to improve its administrative procedures to minimize the time between its advance and county expenditure of HAVA funds.

In its response to the final report the EAC generally concurred with the findings and recommendations. Ohio has deposited the \$6.8 million into the election fund. The EAC has requested that Ohio

provide copies of the procedures for subgrantee fund distribution when they are completed.

**MARYLAND** properly established the State election fund, sustained the appropriate level of State expenditures for elections, and satisfied the 5 percent matching requirement for Section 251 funds. In addition, we found that Maryland needed to adjust its annual financial reports for expenditures of \$250,554 that it reported under both Sections 251 and 101, improve accounting for HAVA-funded expenditures and equipment, and submit a certification to EAC regarding its use of a portion of its Section 251 funds for improving the administration of elections for Federal office.

In its response to the final report the EAC generally concurred with the findings and recommendations. Maryland has submitted corrected financial reports and has submitted the certification to the EAC regarding the use of its Section 251 funds. The EAC has requested that Maryland provide a plan of action for correcting the remaining issues identified in the report.

*Clifton Gunderson LLP  
under contract with  
OIG completed audits  
of Virginia, Indiana,  
Wyoming, and  
Kentucky*

**VIRGINIA** 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. Virginia also complied with section 251 requirements. However, Clifton Gunderson identified a need for Virginia to improve its financial reporting and property controls.

In its response to the final report, the EAC concurred with the findings and recommendations. Based on the corrective actions taken by Virginia, the recommendations are considered implemented.

**INDIANA** generally accounted for HAVA funds in accordance with requirements. However, Clifton Gunderson identified a need for Indiana to improve its financial reporting and accounting of HAVA funds. The financial reports submitted by Indiana did not contain all of the required information or included correct information. In addition, Indiana did not deposit interest earned on HAVA funds until April of 2006 resulting in an understatement of HAVA accounts by \$2,083,036. In addition Indiana miscalculated its matching fund requirements for Section 251 payments. As a result, Indiana owed the election fund \$129,919. In addition, one county needed to improve its security over voting equipment.

In its response to the final report, the EAC generally concurred with the findings and recommendations. Indiana has corrected its financial reports and submitted revised financial reports to the EAC. The EAC has directed Indiana to deposit the lost interest and the additional matching funds into the election fund. The Indiana must provide the EAC with how it will, ensure that counties comply with Federal requirements for the accounting and control of property purchased with federal funds.

**WYOMING** generally accounted for and expended HAVA funds in accordance with requirements. However, Clifton Gunderson identified an issue with equipment cost allocations. Wyoming purchased two desktop computers and one server for each county, and other equipment for election headquarters to be used for voter registration at a net cost of \$173,322. Title to the computers rests with the state; however, state officials gave permission to the staff at both state and county offices to use the equipment for daily non-HAVA activities. The state did not put procedures in place to allocate the costs of the equipment between the HAVA and non-HAVA related activities, and to reimburse the election fund for the non-HAVA portion of the cost of the equipment.

Wyoming does not believe that it should be required to allocate the cost of the equipment. The EAC is in the process of resolving the issue with Wyoming.

**KENTUCKY** 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. However, Clifton Gunderson's audit identified a need for Kentucky to provide for its shortfall in state matching funds and to demonstrate how it complied with the maintenance of effort requirements.

Kentucky agreed with the report's finding and recommendation related to the provision of

additional state matching funds and related interest earnings. The state has deposited \$159,579 into the election fund.

However, Kentucky disagreed with the finding that they had not met the maintenance of effort requirement. The EAC is in process of resolving the maintenance of effort issue with Kentucky.

## Investigations

The OIG opened two investigations during the six-month period.

## Other Activities

The IG Act requires reporting on other categories. We are reporting no actions in the following categories:

- Reviews of Legislation, Rules, Regulations and Other Issuances
- Matters Referred to Prosecuting Authorities
- Denial of Access to Records
- Significant Revised Management Decisions Made During the Period
- Significant Management Decisions with Which the Inspector General Disagrees

## Reports Issued

<b><i>Performance Reports</i></b>	Improvements Needed in Management of Travel by the Election Assistance Commission ( Assignment No. I-PA-EAC-01-06), July 2007
<b><i>Other</i></b>	Preliminary Assessment of EAC's Compliance with the Requirements of the Federal Information Security Management Act (Assignment No. I-EV-EAC-01-07A), August 2007
<b><i>Evaluations</i></b>	None
<b><i>External Reports</i></b>	<p>1. Administration of Payments Received Under the Help America Vote Act by the Ohio Secretary of State (Assignment No. E-HP-OH-09-06), May 2007</p> <p>2. Administration of Payments Received Under the Help America Vote Act by the Commonwealth of Virginia State Board of Elections (Assignment No. E-HP-VA-12-06), May 2007</p> <p>3. Administration of Payments Received Under the Help America Vote Act by the State of Indiana Election Division (Assignment No. E-HP-IN-13-06), May 2007</p> <p>4. Administration of Help America Vote Act Funds by the Maryland State Board of Elections (Assignment No. E-HP-MD-08-06), June 2007</p>

5. Administration of Payments Received Under the Help America Vote Act by the Wyoming Secretary of State Elections Division (Assignment No. E-HP-WY-03-07), August 2007

6. Administration of Payments Received Under the Help America Vote Act by the Commonwealth of Kentucky Sate Board of Elections (Assignment No. E-HP-KY-02-07), August 2007

***State Audit  
Reports  
Referred to  
EAC for Action***

1. State of Delaware Single Audit for the Year Ended June 30, 2006 (Assignment No. E-SA-DE-09-07), May 2007

2. State of Florida Single Audit Report for the Fiscal Year Ended June 30, 2006 (Assignment No. E-SA-FL-11-07), May 2007

3. State of Indiana Single Audit Report, July 1, 2005 to June 30, 2006 (Assignment No. E-SA-IN-17-07), May 2007

4. State of Iowa Single Audit Report for the Year Ended June 30, 2006 (Assignment No. E-SA-IA-18-07), May 2007

5. State of Maryland Single Audit Report for the Year Ended June 30, 2006 (Assignment No. E-SA-MD-23-07), May 2007

6. State of Nebraska Statewide Single Audit for the Year Ended June 30, 2006 (Assignment No. E-SA-NE-30-07), May 2007

7. State of North Carolina Single Audit Report for the Year Ended June 30, 2006 (Assignment No. E-SA-NC-36-07), May 2007

8. State of South Carolina Statewide Single Audit for the Year Ended June 30, 2006 (Assignment No. E-SA-SC-44-07), May 2007

9. Commonwealth of Virginia Single Audit for the Year Ended June 30, 2006 (Assignment No. E-SA-VA-50-07), May 2007

10. State of West Virginia Single Audit for the Year Ended June 30, 2006 (Assignment No. E-SA-WV-53-07), May 2007

11. State of Wisconsin Single Audit Report for the Year Ended June 30, 2006 (Assignment No. E-SA-WI-54-07), May 2007

12. State of Pennsylvania Single Audit for the Year Ended June 30, 2006 (Assignment No. E-SA-PA-41-07), July 2007

13. State of Ohio Single Audit Report for the Year Ended June 30, 2006 (Assignment No. E-SA-OH-38-07), September 2007

14. State of New Jersey Single Audit for the Year Ended June 30, 2006 (Assignment No. E-SA-NJ-33-07), September 2007

15. State of Illinois Single Audit Report for the Year Ended June 30, 2006 (Assignment No. E-SA-IL-16-07), September 2007

## Monetary Impact Of Audit Activities\*

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Questioned Costs	\$ 424,751
Potential Additional Program Funds	9,183,996
Funds be Put to Better Use	<u>0</u>
Total	<u>\$9,608,747</u>

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\* Unsupported costs are included in questioned costs.

## Reports With Questioned Costs\*

<i>Category</i>	<i>Number</i>	<i>Questioned Costs</i>	<i>Unsupported Costs</i>
A. For which no management decision had been made by the beginning of the reporting period.	2	\$655,019	\$562,513
B. Which were issued during the reporting period.	3	\$424,751	\$0
Subtotals (A+B)	5	\$1,079,770	\$562,513
C. For which a management decision was made during the reporting period.	4	\$906,448	\$562,513
(i) Dollar value of recommendations that were agreed to by management.		\$250,554	0
(ii) Dollar value of recommendations not agreed to by management.		\$655,894	\$562,513
D. For which no management decision has been made by the end of the reporting period.	1	\$173,322	\$0
E. Reports for which no management decision was made within 6 months of issuance.	0	0	0

\* Unsupported costs are included in questioned costs

## Reports With Potential Additional Program Funds

<i>Category</i>	<i>Number</i>	<i>Dollar Value</i>
A. For which no management decision had been made by the beginning of the reporting period.	1	\$114,794
B. Which were issued during the reporting period.	3	\$9,183,996
Subtotals (A+B)	4	\$9,298,790
C. For which a management decision was made during the reporting period.	4	\$9,298,790
(i) Dollar value of recommendations that were agreed to by management.		\$9,298,790
(ii) Dollar value of recommendations that were not agreed to by management.		0
D. For which no management decision has been made by the end of the reporting period.	0	0
E. Reports for which no management decision was made within six months of issuance.	0	0

## Summary of Reports More Than 6 Months Old Pending Corrective Action At September 30, 2007

This is a listing of performance, evaluation and reports on the states use of HAVA funds that more than 6 months with management decisions for which corrective action has not been completed. It provides report number, title, issue date, and the number of recommendations without final corrective action.

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- E-HP-NJ-04-06 Administration of Payments Received Under the Help America Vote Act by the Office of the Attorney General, New Jersey Department of Law and Public Safety, September 2006, 9 Recommendations
- E-HP-TX-06-06 Administration of Payments Received Under the Help America Vote Act by the Texas Secretary of State, October 2006, 2 Recommendations
- E-HP-IL-07-06 Administration of Payments Received Under the Help America Vote Act by the Illinois State Board of Elections, October 2006, 8 Recommendations
- E-HP-PA-10-06 Administration of Payments Received Under the Help America Vote Act by the Secretary of the Commonwealth of Pennsylvania, January 2007, 2 Recommendations
- E-HP-SC-11-06 Administration of Payments Received Under the Help America Vote Act by the South Carolina Election Commission, January 2007, 4 Recommendations

## Reporting Requirements of the IG Act

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<b><u>Section of Act</u></b>	<b><u>Requirement</u></b>	<b><u>Page</u></b>
Section 4(a)(2)	Review of Legislation and Regulations	None
Section 5(a)(1)	Significant Problems, Abuses, and Deficiencies	None
Section 5(a)(2)	Recommendations for Corrective Action With Respect to Significant Problems, Abuses, and Deficiencies	None
Section 5(a)(3)	Significant Recommendations From Agency's Previous Report on Which Corrective Action Has Not Been Completed	
Section 5(a)(4)	Matters Referred to Prosecutive Authorities and Resulting Convictions	None
Section 5(a)(5)	Matters Reported to the Head of the Agency	None
Section 5(a)(6)	List of Reports Issued During the Reporting Period	10
Section 5(a)(7)	Summary of Significant Reports	3
Section 5(a)(8)	Statistical Table – Questioned Costs	14
Section 5(a)(9)	Statistical Table – Recommendations That Funds Be Put to Better Use	None
Section 5(a)(10)	Summary of Audit Reports Issued Before the Commencement of the Reporting Period for Which No Management Decision Has Been Made	None
Section 5(a)(11)	Significant Revised Management Decisions Made During the Reporting Period	None
Section 5(a)(12)	Significant Management Decisions With Which the Inspector General Is in Disagreement	None
Section 5(a)(13)	Information Described Under Section 05(b) of the Federal Financial Management Improvement Act of 1996	None

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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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