



EAC MANAGEMENT DECISION:

Resolution of the OIG Audit Report on the Administration of Payments

Received Under the 2008 Election Data Collection Grant Program

Award Number: 08-EDC-800176, State of Illinois (Assignment Number E-GR-IL-01-12)

November 26, 2013

BACKGROUND

The EAC is an independent, bipartisan agency created by the Help America Vote Act (HAVA). EAC assists and guides state and local election officials in improving the administration of elections for Federal office. EAC distributes HAVA funds to States for the acquisition of voting systems, and supports the establishment of statewide voter registration lists, and other activities to improve the administration of elections for Federal office. EAC monitors State use of HAVA funds to ensure funds distributed are being used for authorized purposes. To help fulfill this responsibility, the EAC determines the necessary corrective actions to resolve issues identified during Single Audit Act and Office of Inspector General (OIG) audits of state administration of HAVA funds. The EAC OIG has established a regular audit program to review the use of HAVA funds by States. The OIG's audit plan and audit reports can be found at www.eac.gov.

In December 2007 Congress authorized the fiscal year 2008 Omnibus Appropriations Act (Public Law 110-161, Title V), which directed the EAC to award grants of \$2 million to each of five eligible states to improve the collection of precinct level data relating to the November 2008 Federal elections. The act provided for the creation of the Election Data Collection Grant Program, the purpose of which was to:

- Develop and document a series of administrative and procedural best practices in election data collection that can be replicated by other States;
- Improve data collection processes;
- Enhance the capacity of States and their jurisdictions to collect accurate and complete election data; and
- Document and describe particular administrative and management data collection practices, as well as particular data collection policies and procedures.

The States were to use the Grant funds to implement programs to improve the collection of data relative to the November 2008 Federal general election and to improve the reporting of election data at the precinct level. The Grants were awarded in May 2008 and were for a period of 13 months.

The EAC Audit Follow-up Policy authorizes the EAC Executive Director to issue the management decision for OIG audits of Federal funds to state and local governments, to non-

profit and for-profit organizations, and for single audits conducted by state auditors and independent public accountants (external audits). The Executive Director has delegated the evaluation of final audit reports provided by the OIG and single audit reports to the Director of the HAVA Grants Division of EAC. The Division provides a recommended course of action to the Executive Director for resolving questioned costs, administrative deficiencies, and other issues identified during an audit. The EAC Executive Director issues the EAC Management Decision that addresses the findings of the audit and details corrective measures to be taken by the State.

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

Please note with four Commissioner vacancies, the Commission presently lacks a quorum to conduct appeals. The 30 day period to file an appeal remains in place. However, the 60 day period for a decision will toll until a Commission quorum is reestablished.

AUDIT HISTORY

The OIG issued an audit report on the administration of payments received under the Help America Vote Act (HAVA) by the Illinois State Board of Elections (Board) on September 12, 2013. Based on the audit procedures performed, except for the matters discussed below, the auditors concluded that the Board accounted for and expended the Grant funds in accordance with the *Generally Accepted Government Auditing Standards* for the period from May 27, 2008 through June 30, 2010. The exceptions to applicable compliance requirements are described below.

Finding 1 – Documentation of Policies and Procedures

The Board lacks complete, documented policies with respect to award administration, accounting and financial reporting.

Federal regulations, specifically 41 CFR 105-71.120 – *Post-Award Requirements/Financial Administration, Standards for Financial Management Systems, Internal Control*, require that:

- (a) A State must expand and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds, and
- (b) Effective control and accountability must be maintained for all grant and sub-grant cash, real and personal property, and other assets.

Recommendation:

The auditors recommend that EAC require the Board to implement procedures to ensure that all significant accounting, financial management and grant administration policies and procedures are documented. The documentation should be reviewed and updated on a regular basis, and procedures should be implemented to ensure that such documentation is available and communicated to all personnel involved in the administration of Federal awards.

State Board of Elections Response:

The Board stated that it complies with applicable policies and procedures of the State for managing funds from both State and Federal sources, and that documentation exists in Board manuals, and State manuals, rules, statutes and guidelines. The Board acknowledged that it did not have program-specific policies and procedures for administration of EAC Data Collection monies and agreed to develop Federal-specific policies and procedures for future programs involving the expenditure of Federal funds.

EAC Response:

To date, the Board has had two OIG Performance Audits of its HAVA funds. Both audits have been resolved satisfactorily indicating compliance with federal requirements. Along with recent auditors, EAC commends the Board for its efforts to document policies and procedures, and for its recognition of the usefulness of such guidance for new grantor-funded programs. **EAC considers this matter closed.**

Finding 2 – Contract Monitoring and Related Internal Control Processes

The Board's internal control processes were not adequate to prevent or detect the payment of invoices lacking adequate detail of hours and hourly rates as outlined in the agreed-upon contract provisions.

Federal regulations, specifically 41 CFR 105-71.120-*Post-Award Requirements/Financial Administration, Standards for Financial Management Systems, Internal Control*, requires that:

- (a) A State must expand and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds, and
- (b) Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets.

Recommendation:

We recommend that the EAC address and resolve the following recommendation that the Illinois State Board of Elections:

- a. Implement procedures to ensure adherence to Federal and State-mandated internal control processes when administering future Federal awards, including specifically the documentation of monitoring processes with respect to contractor billings and deliverables, and the review and approval of all invoices for compliance with agreed upon contractual provisions and proper account codes, prior to submittal for payment.
- b. Resolve the questioned costs amounting to \$119,595 cited above.

State Board of Elections Response:

The Board concurred that some invoices in question were not submitted in accordance with contractual provisions and that documentation of certain monitoring activities was inadequate. However, the Board notes that the invoices identified in the finding were billed and evaluated by deliverable milestone, and that the satisfactory completion of these milestones was verified by a third party review vendor and by in-house staff prior to submittal for payment. The Board asserts that the milestone-based process ensures the achievement of contract objectives without the risk of contract overruns. Accordingly the Board does not consider the referenced costs to be questionable. The Board also stated that, while the travel voucher expenses discussed in the finding above were not supported by travel vouchers, these expenses were properly verified prior to payment. The Board agreed to review and enhance internal procedures to ensure that future vendor billings are submitted and evaluated in accordance with contractual provision and that documentation of such procedures is maintained.

EAC Response:

While not specifically part of the board's response, the board's process ensures the achievement of contract objectives without the overcharging of hours. However, the board realizes for future federally-funded projects of this nature that additional procedures are necessary to ensure that vendor billings are submitted and evaluated with accordance with specified contractual provisions, and that sufficient documentation of that evaluation process is maintained. The Board will ensure those additional procedures are instituted are implemented for future federal grant awards.

In reference to the travel voucher documentation, although a documented travel voucher was not received, the Board did verify and validate the travel prior to vendor payment. This validation was noted on the vendor invoice. The invoice was provided to EAC. **EAC considers this matter closed.**