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U.S. Election Assistance Commission Office of the Inspector General



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c/1 = 405 2,510 1,832 4,927 11,102* silzed Return on Capitel 1,1% 7,3% 5,0% 4 5% 11,4% .452 = 142,225 2,162 618 2,080,452* 2,342,225 dinations 150 319* 139,721 148,179 150,319* 139,721

AUDITING HAVA FUNDS

Unprofitable Firms 103 63 07 94 47

Pre-Tax Earnings of Scottragle Firms (2,183) (428) (463) (3,388) (989) r 2001 3rd Duartek 2000 2nd Quarter 2001 Nine Months 2001 Nine Months 2001 \$43,641 \$59 338 \$50,789 \$152,499 \$183,706 43,018 55,467 47,979 544,928 168,324* Profit/Loss 405 2 516 1,832 4,927 11 362* Annualized Reform on Capital 1,1% 7,3% 5 0% 4 5% 11 4% 2,6 55 2,342,225 2,552,618 2,680,452* 2,342,225 Su 141 150,319* 139,721 146,179 150,319* 139,721 61 7,415 6,665 10,215 25,665*

February 2011

Uaiter 2000 2nd Quarter 2005 Nine Months 2005 Nine Months 200 338 50,788 \$152,499 \$183,708* 47.578 144,918 168,224* 5 2,516 1,832 4,927 11,362* er n on Cepital 1,1% 7.3% 5.0% 4.5% 15.4% 12 225 2,562,518 2,680,452* 2,342,225

Who is the IG and what does he do?

 The Inspector General is an independent officer of the EAC established by HAVA and the Inspector General Act of 1978 (IG Act).

- The IG Act and HAVA give EAC's IG authority to:
 - Conduct and report on audits and investigations related to EAC programs (both internal and external)
 - Review and comment on existing or proposed legislation

Recommend policies and conduct activities to promote economy and efficiency in and to prevent waste, fraud and abuse in EAC programs

 To issue semiannual reports to Congress and the EAC that report on fraud, problems, abuses and deficiencies in EAC programs

Who is the IG and what does he do?

Tools given to the IG to carry out his duties:

- Access to all records related to the programs and operations of the EAC (and that trickles down to other organization which administer HAVA funds).
- Ability to request any information or assistance necessary from any Federal, State, or local government or unit thereof
- Authority to issue subpoenas for the production of records
- Authority to administer oaths and take sworn statements
 - **Direct and prompt access to the EAC Chair**
- Authority to receive and investigate complaints from employees and members of the public

2001 fra Quarter 2000 2nd Quarter 2001 Nine Months 2001 Kine Months 20 (43,641 \$59,128 \$50,789 \$152,499 \$183,705* 3,018 55,467 \$7,979 144,918 (86,224*

IG's Programs and Activities

Auditing HAVA funding programs

- 30 states have been audited
- Audits cover nearly \$1.3 billion
- Audits have resulted in:
 - Questioning \$ 18.1 million in costs
 - Identifying \$13.1 million that must be used for program purposes
- Auditing EAC programs and financial statements
 - Issued 15 reports

Internal and External Investigations

- Conducted 3 investigations: 2 internal, 1 external
- All reports are available at www.eac.gov

rd Quarter 2001 fra Quarter 2000 2nd Quarter 2001 Nine Months 2001 Nine Months 2000 evenues \$43,541 \$59,134 \$50,789 \$152,499 \$183,705*

EAC STATE AUDIT PROGRAM

Assets** 2,680,452 2:342,225 2.562,618 2,680,452* 2,342,225 Capital & Suboldinations 150,315* 139,721 146,179 150,319* 139,721 Commission Revenues 6,052 7,415 6,668 20,215 25,868*

The states for review are selected based

on the amount of money the state has expended,

the results of single audits, and

 results of any reviews by the state or other auditors, and

✓ special requests.

To date, the primary reason for scheduling an audit of a state has been the amount of money expended by the state.

Currently the OIG is using an independent public accounting firm – Clifton Gunderson LLP to conduct audits of state's use of HAVA funds

d Quarter 2001 3rd Quarter 2000 2nd Quarter 2001 Nine Months 2001 Nine Months 20 venues 545, 641 359, 328 350, 788 5152, 499 5183, 768* penses 43,018 55, 467 47, 979 144, 918 165, 224* ter Tax Profit/Loss 405 2, 516 1,852 4,927 11,362* ter Tax Annualized Return on Capital 1,1% 7,3% 5,0% 4,5% 12,4% tets** 2,660, 452 2,342, 225 3,562, 518 2,680, 452* 2,342, 225 pital & Subordinations 150,319* 139,721 146, 179 150,319* 139,721 rd Quarter 2001 fra Quarter 2000 2nd Quarter 2001 Nine Months 2001 Nine Months 2000 evenues 543,541 659,138 650,789 5152,499 5183,706*

Meet the IG and his staff

Capital & Supordinations 150,319* 139,721 146,179 150,319* 139,721 Commission Revenues 5,052 7,415 6,668 20,215 25,868*

Number of Profitable Firms 158 210 171 178 242 Aggregate Pre-Tax Fainings of Profitable Firms 2,807 4,300 3,482 10,870 18,470

Augregate Fle-Tax Earnings of Frofi and Guiller 2001 and Quarter 2000 Revenues 547,641 \$53,338 \$50,789 Expenses 1.315 55,467 \$7,979 244, After-Tax Profit/Loss 405 2,518 1,8 After-Tax Profit/Loss 405 2,518 1,8 After-Tax Armualized Return on Gap Assets * 2,680,452 2,142,225 2,582 Commission Revenues 6,062 7,415 5, Number of Frofitable Firms 159 240

Curtis Crider, Inspector General

89) onths 2000

Arnie Garza Assistant Inspector General for Audits

Juliet Hodgkins, Counsel to the Inspector General

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ttay Tax Profit/Loss 405 2,516 1,852 4,927 11,362*
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apital & Subordinations 150,319* 139,721 146,179 150,319* 139,721

AUDITING HAVA FUNDS – What to expect

These Slides will cover:

- The audit process from announcement letter to final report
 - Identify what topics and funding will be covered by the audit
 - Identify what information auditors will need
 - Identify the statutory and regulatory authorities that auditors will be using to evaluate your management and use of HAVA funds
- Communications that you can expect from the auditors and IG
- Provide some examples of findings from previous audits and how to avoid a similar finding

AUDITING HAVA FUNDS Getting Started:

Call the State

gate Pie-Tax Earnings of Pioritable Firms (2,183) (428) (663) (3,388) (989) uniter 2001 and Quarter 2000 Ind. Quarter 2001 Nine Months 2001 Nine Months 2000 Nes 3-7,641 \$59,338 \$50,789 \$153,499 \$183,706*

Arrange for an audit start date (about three weeks) form the date of the initial call

Tak Barnings of Profiltacle Rirms (2,183) (428) (465) (3,388) (989) 01 318 Quarter 2000 2nd Quarter 2001 Nine Months 2001 Nine Months 2000 941 853 330 850,749 £152,499 \$183,706*

Send formal announcement letter to chief state election official

Augregate Pre-Tax Eastings of Profilable Firms 2,807:4,300 3,482 10,970 48,470 Number of Unprofilable Firms 103 63 87 94 42 Augregate Pre-Tax Eastings of Profilable Firms (2,183) (428) (663) (3,388) (989) 3rd Quarter 2001 3rd Quarter 2000 7rd Quarter 2001 Nike Months 2005 Nike Months 2008 Revenues 343,141 359,318 350,789 3152,499 3103,760* Expenses 43,010 55,467 47,979 144,918 165,224* After Tax Profit/Loss 405 2,516 1,852 4,927 11,362* After Tax Annualized Return on Capital 1.1% 7.3% 5.0% 4.5% 13.4% Assets** 2,680,452 2,342,225 2,552,518 2,680,452* 2,343,225 Capital & Superdinations 150,319* 139,721 146,179 150,319* 139,721 AUDITING HAVA FUNDS Announcement Letter:

States the audit objectives

Asks for office space for two auditors

 Asks for telephone and data lines for two computers

Lists the information we plan to examine

Ind Quarter 2001 Ind Quarter 2000 Ind Quarter 2001 Nine Months 2001 Nine Months Revenues 343,041 359,038 350,788 \$152,499 \$183,708* Expenses 43,010 55,467 47,979 144,918 168,224* After Tax Profit/Loss 405 2,516 1,832 4,927 11,362* After Tax Annualized Return on Capital 1.1% 7.3% 5.0% 4.5% 11.4% Assets** 2,000,452 2,342,225 3,562,618 2,680,452* 2,342,225 Capital & Superdinations 150,319* 139,721 146,179 150,319* 139,721

AUDITING HAVA FUNDS Information to be examined:

 All audit reports and other reviews related to the Office's financial management systems and the HAVA program for the last 5 years.

 Policies, procedures and regulations for the Office's accounting, personnel, payroll, property, and procurement systems as they relate to the state's administration of HAVA funds and programs.

NUmber of Unprofitable Firms 103 63 87 94 42 Addregate Fre-Tax Earnings of Profitable Firms (2,183) (428) (663) (3,385) (989) 3rd Quarter 2001 3rd Quarter 2000 2nd Quarter 2003 Nine Months 2003 Nine Months 2000 Revenues 343,141 359,318 350,788 \$152,499 \$183,768* Expenses 43,010 55,407 47,978 144,918 165,224* After Tax Profit/Loss 405 2,516 1,812 4,927 11,362* After Tax Profit/Loss 405 2,516 1,812 4,927 11,362* After Tax Annualized Return on Capital 1,1% 7,3% 5,0% 4,5% 11,4% Assets** 2,000,452 2,342,225 2,562,618 2,680,452* 2,342,225

AUDITING HAVA FUNDS Information to be examined:

An organizational chart of the office and a list of all full and part-time employees of the office indicating those employees whose salary is financed with HAVA funds. (If applicable, also identify other employees from the state whose salary is paid in full or in part with HAVA funds).

 Time sheets/certifications of work performed for full time and part-time HAVA employees.

 Inventory list of all equipment purchased with HAVA funds.

AUDITING HAVA FUNDS Information to be Examined:

Contract and procurement files for procurements (i.e. voter registration system and election systems).

- Source/supporting documents for payments made with HAVA funds.
- List of all agreements providing HAVA funds to counties.

County financial reports submitted to the office.

Number of Firms Reporting 261 273 258 272 284 Number of Profitable Firms 158 210 171 175 242 Appreprie Pre-Tax Earnings of Profitable Firms 2.807.8.300 3.482 10,970 18,470 Number of Unprofitable Firms 102 63 87 94 42 Appreprie Tie-Tax Earnings of Profitable Firms (2.183) (428) (663) (3.385) (989) Ind Quarter 2001 3rd Quarter 2000 2nd Quarter 2004 Nine Months 2005 Nine Months 2000 Revenues 343,441 359,388 \$50,788 \$152,499 \$183,746* Expenses 43,010 55,407 47,978 144,918 165,224* After Tax Profit/Loss 405 2.516 1.832 4.927 11.362* After Tax Annualized Return on Capital 1.1% 7.3% 5.0% 4.5% 12.4% Assets** 2.680,452 2.342,225 2.562,518 2.680,452* 2.342,225 Gapital & Superdinations 150,319* 139,721 146 179 150,319* 139,721

AUDITING HAVA FUNDS Information to be examined:

 State laws that established and impact the election fund.

 Description of office's methods of accounting for any income, such as revenue from equipment leases, generated by HAVA programs.

 Identification of the expenditure of funds in fiscal year 2000 for the level of effort for section 251-type activities and the support for those expenditures.

Goregale Pre-Tax Farnings of Profittable Films (2,183) (428) (663) (3,388) (989) rd Quarter 2001 Ind Quarter 2000 2nd Quarter 2001 Nite Months 2003 Nine Months 200 levenues 343,141 359,138 350,788 \$152,499 \$183,768* ixpenses 43,010 55,467 47,978 144,916 166,224* iter-Tax Profit/Loss 405 2,516 1,832 4,927 11,362* ifter-Tax Profit/Loss 405 2,516 1,832 4,927 11,362* ifter-Tax Annualized Return on Capital 1,1% 7.3% 5.0% 4,5% 11,4% issets** 2,640,452 2,342,225 3,562,618 2,680,452* 2,342,225 Fapital & Subordinations 150,319* 139,721 146,179 150,319* 139,721

AUDITING HAVA FUNDS Information to be 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.

 Source/supporting documents for the maintenance of effort and matching contributions including any plan filed with the EAC.

Number of Unprofilable Films 103 63 87 94 42 Apprepare Pre-Tax Earnings of Profilable Films (2, 183) (428) (663) (3,388) (989) 314 Quarter 2001 314 Quarter 2000 2nd Quarter 2002 Nide Months 2005 Nine Months 2000 Revenues 343,141 359,318 350,789 3152,499 3183,766* Expenses 43,010 55,467 47,979 144,918 168,224* After Tax Profit/Loss 405 2,516 1,832 4,927 11,362* After Tax Annualized Return on Capital 1.1% 7.3% 5.0% 4.5% 13.4% Assets** 2,680,452 7.342,225 7.562,618 2,680,452* 2,343,225

AUDITING HAVA FUNDS Criteria for Evaluation:

HAVA

Identifies activities for which funds may be used and conditions for receipt of funds, such as matching, maintenance of effort, and election fund requirements for 251 payments.

Other Federal Guidance

U.S. Office of Management and Budget Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments (2 CFR 225).

EAC Guidance

HAVA FUNDS MANAGING, RECORDKEEPING, REPORTING, AND AUDITING and EAC advisories, opinions and frequently asked questions.

Common Rule, Uniform Administrative Requirements for Grants and *Cooperative Agreements with State and Local Governments* (41CFR 105-71).

AUDITING HAVA FUNDS Auditors' Preparatory Work:

✓ Review FinancialStatus Reports

Determine amounts spent, kinds of expenditures, and interest reported.

✓ Read state plan

 Learn about program and if/how funds delivered to counties.

Review prior audits

Check state website

 Identify issues and determine if scope of our audit will be curtailed.

 Get pertinent laws and regulations and information on procurement and property management.

AUDITING HAVA FUNDS Field Work - Expenditures:

Record keeping

✓Audit tests

✓County expenditures

- Are there separate accounts to track the uses of 101, 102, and 251 funds?
 Do the amounts reported on the 269s agree with the accounting records?
- Are salaries adequately supported?
 Are indirect costs properly charged?
 Are purchases competitively made?
 Is equipment adequately safeguarded and tracked?
- If a state granted funds to its counties, the same questions are answered for the county activities.

AUDITING HAVA FUNDS Fieldwork - Compliance:

ELECTION FUND

egete Pre-Tax Earnings of Profitable Firms (2,183) (428) (663) (3,388) (989) Quarter 2001 and Quarter 2000 and Quarter 2001 Nine Months 2001 Nine Months 2000 1985 347,641 359,338 350,789 \$152,499 \$183,706*

✓ Is there a state election fund?

Have all HAVA payments been deposited in the fund?

Has the state match been properly computed and deposited into the fund?

Has interest been earned and properly recorded?

Is use of the fund restricted to 251-related activities? 18

AUDITING HAVA FUNDS Fieldwork - Compliance:

MATCHING

HAVA section 253 (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 payments and the amount spent by the State) ..."

Requirements payment equals \$40,000,000.

Wrong -- \$40,000,000 x 5% = \$2,000,000.

Right -- \$40,000,000/95% = \$42,105,263. \$42,105,263 x 5% = \$2,105,263. AUDITING HAVA FUNDS Communications:

 Notification of Findings and Recommendations

Exit Conference

✓ Draft Audit Report

 Auditors give state written summaries of findings and recommendations for feedback while on site.

 Auditors brief state on all reportable matters upon leaving the audit site.

 Auditors issue non-public draft report to state which requests written comments within 30 days.

Final Audit Report

 Auditors, after receipt of comments, issue public final report to EAC recommending that it ensure that all matters are resolved. AUDITING HAVA FUNDS Audit Resolution:

Final Audit Report

✓Appeal



Final Decision

 EAC Executive Director has 60 days to issue a decision resolving any audit findings

✓If a state disagrees with the final decision, it has 30 days to appeal the decision to the Commission

 Commission can grant a hearing to collect evidence and hear from the appealing state

Commission has 60 days from the date of appeal to render a final and binding decision on the appeal.

AUDITING HAVA FUNDS Findings:

	Inadequate Accounting	0,870 18,470
18	Non-Competitive Contracting	(3,388) (989) 001 Nine Months 2000
	Unsupported Salaries	
a / 11 1	Unsupported Trans. – non salary	Contraction of the second s
b	Improper Election Fund	
	Incomplete Records of Equipment	States and the states
. e.	Unaccounted for Program Income	0,970 18,470
10 M	Undocumented Maintenance of Effort	(3,385) (989) 001 Nine Months 2000
310	Unapproved Equipment Purchase	and the second second
01	Understated Match	
D 10	Lost Interest	A PARTY AND A PART
IT.	Deficient Monitoring of County Acts.	A CONTRACTOR OF A STATE
nte A p	Ineligible Activities	G 9 7 6 1 8 , 4 7 0
1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	Incorrect Indirect Costs	(3,388) (989) 003 Nine Months 2000
0 1	Duplicate Costs	22
1 H	Weak Cash Mgt. for County Grants	

AUDIT FINDINGS: HOW TO AVOID THEM

Unsupported salaries

- Documentation is required to support salaries paid with HAVA funds – See OMB Circular A-87, Attachment B, 8.
- For employees whose salaries are partially paid with HAVA funds, the state must show a time sheet documenting the amount of time the employee spent on HAVA-related activities

For employees whose salaries are wholly paid with HAVA funds, the state must show, at least, a certification of that the employee's entire job was HAVA related

AUDIT FINDINGS: HOW TO AVOID THEM

Incomplete Records of Equipment

- 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 title, the acquisition date, and 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.
- A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
- 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.
- Adequate maintenance procedures must be developed to keep the property in good condition.
- **OMB Circular A-102, Common Rule, Section .32, Equipment**

and Quarrer 2001 and Quarrer 2000 2nd Quarrer 2001 Nine Months 2001 Nine Months 2000 Revenues 543,541 559,138 550,709 5152,499 5183,706* Expenses 51,016 55 167 47 979 144 918 166 224*

After-Tax Profit/Loas 405 2,516 1,832 4,927 1 After Tax Annualized Return on Capital 1.1% Assets** 2,680,452 2,342,325 2,562,618 2,680 Capital & Subordinations 150,319* 139,721 14 Commission Revenues 5,052 7,415 6,668 20,21

Number of Profitable Firms 158 210 171 178 Apprepate Pre-Tax Eathings of Profitable Firm Number of Unprofitable Firms 103 83 87 94 4 Apprepate File-Tax Earnings of Profitable Firm Itd Qualiter 2001 Ind Quarter 2000 Ind Quart Revenues 547,641 353,338 850,739 \$152,499



) (3,388) (989) 2001 Nine Months 2000

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