

The State of Texas



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**U.S. Election Assistance Commission
Public Meeting
1225 New York Avenue, NW - Suite 150
Washington, DC 20005
Thursday, February 08, 2007**

Testimony by Dan Glotzer, Texas HAVA Grant Manager:

Introduction:

My name is Dan Glotzer, and I am the Texas Help America Vote Act (HAVA) Grant Manager. The Texas Secretary of State's Office (SOS) was the first state to receive a full financial audit of the HAVA payments by the Election Assistance Commission (EAC). Accordingly, I am here to share the state perspective on the audit process.

Communication:

The Inspector General's Office (IG) audit team coordinated via telephone and email to arrange a mutually agreed upon timetable to conduct the audit followed by an official engagement letter.

Adequate time was given to prepare for the audit including a list of expenditures the IG audit team would be reviewing and the anticipated information needed to conduct the review.

Preparing for the Review:

The SOS made certain that the appropriate individuals were involved in the audit process in an effort to ensure questions were answered promptly and correctly to avoid confusion and potentially unnecessary findings.

The following documents were copied, bound, and made available prior to the IG audit team's arrival or made available upon request:

- HAVA Grant Management and Monitoring Policies and Procedures
- State and Internal Audits
- Organizational Chart
- Sample Grant Award Agreements to Counties
- Breakdown of Funding to Counties
- Summary of Payments to Counties
- Contract Files for Services Procured with HAVA Funds
- Payroll
- Financial Statements
- Annual Financial Reports
- Vouchers
- General Ledger
- Inventory of Equipment purchased with HAVA Funds
- Indirect Cost Plan
- Appropriation Reports to Demonstrate Maintenance of Effort
- Relevant Correspondence between the EAC and the Secretary of State's Office (e.g. answers to questions posed by the SOS, letters from the Governor designating authorized officials, etc.)
- Access to the Texas HAVA Online Grant System (to verify and vouch for payments to counties)
- Texas Laws and Administrative Rules Impacting HAVA

The Onsite Review:

A room and access to a telephone, fax machine, and the Internet were provided to the IG audit team.

The IG audit team was introduced to the HAVA grant staff, including the grant manager and grant accountant, and other appropriate staff members, such as accounting, purchasing, and administrative staff to ensure proper communication when reviewing various items.

When issues/questions would arise, the IG audit team gave the SOS an opportunity to respond. Most issues were easily resolved by providing the IG audit team with the necessary documents and personnel to quickly and accurately respond to all inquiries.

The IG team also visited four counties: two large, one medium size, and one small county. The counties were given a few weeks notice. The focus of the county reviews was procurement and inventory of the equipment. The county visits were successful.

Draft Report:

The SOS had two findings that were identified in the EAC Inspector General's draft report. The first related to indirect costs. In response, the SOS recalculated the rate, made the necessary bookkeeping adjustments, and amended the applicable 269 report. The EAC has since accepted the recalculated rate. The SOS anticipates no further action will be required.

The second finding pertained to program income. Essentially, the IG audit team determined that the SOS had developed a mechanism for the counties to report program income; however, the team also determined that the program income had not been properly computed and reported. The SOS had posed various questions to the EAC regarding program income prior to the audit – one being whether the state could utilize the “addition” alternative for expending program income as described in the Uniform Administrative Requirements “Common Rule.” The EAC responded affirmatively to that request in a letter dated December 28, 2005.

However, the SOS also requested in its response to the EAC's IG draft report that Texas be allowed to reduce gross program income by the costs incurred to generate the gross program income. In other words, the SOS wishes to offset program income generated as a result of leasing the HAVA-funded voting equipment by the costs incurred to maintain and operate the equipment. It is the SOS's estimation that the expenses incurred by counties as a result of supporting and maintaining the new HAVA-mandated equipment exceed earned program income resulting in no reportable program income. Pending the EAC response, the SOS will instruct the counties how to compute and report program income. At that time, the SOS will remind counties that program income may be used only to implement the requirements of Title III of HAVA and, after those requirements are met, to improve the administration of elections for federal office.

Ways to Facilitate an Efficient, Successful Audit:

Before the IG audit team arrives, produce any and all documentation needed for the review in order for the team to meet their audit objectives as quickly and accurately as possible.

Ensure that staff members most familiar with the substance of each audit objective are available and included in the audit when needed. Make sure the IG audit team knows who they are.

Have a staff member with significant audit/accounting experience who is knowledgeable about the HAVA expenditures be in constant contact with the IG audit team.

Don't assume a defensive posture. The EAC is here to help us comply with the rules and regulations – not to find fault. The states' success is the EAC's success.

Provide the EAC audit team with local information (e.g., restaurants, shopping, and any other helpful information). Your state will be their home for a period of time.