

OFFICE OF INSPECTOR GENERAL

U.S. Election Assistance Commission

AUDIT OF THE HELP AMERICA VOTE ACT GRANTS AWARDED TO THE STATE OF DELAWARE

Report No. G22DE0010-22-06
September 21, 2022



HIGHLIGHTS

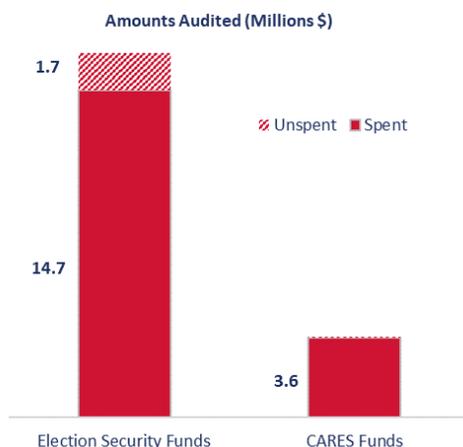
AUDIT OF THE HELP AMERICA VOTE ACT GRANTS AWARDED TO THE STATE OF DELAWARE

Report No. G22DE0010-22-06

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What OIG Audited

The Office of Inspector General, through the independent public accounting firm of McBride, Lock & Associates, LLC, audited funds received by the State of Delaware under the Help America Vote Act (HAVA), including state matching funds and interest earned, totaling \$20 million. This included Election Security and Coronavirus Aid, Relief, and Economic Security (CARES) Act grants.



Delaware also received \$13 million in reissued Section 251 funds. The firm reviewed the state's financial reporting efforts for these funds.

The **objectives** of the audit were to determine whether the State of Delaware:

- (1) Used funds for authorized purposes in accordance with Section 101 of HAVA and other applicable requirements;
- (2) properly accounted for and controlled property purchased with HAVA payments; and
- (3) used funds in a manner consistent with the informational plans provided to EAC.

What OIG Found

The Office of Inspector General found that the Delaware Commissioner of Elections generally accounted for HAVA funds in accordance with applicable requirements and used the funds in a manner consistent with the informational plans submitted.

However, the Commissioner's office (1) provided inadequate documentation to support 14 transactions resulting in \$629,248 of unallowable costs; (2) did not provide required asset listings; (3) lacked complete internal control and asset management policies; and (4) has not filed required financial reports for the Section 251 funds since 2014 and did not report interest income properly on the Election Security and CARES financial reports.

What OIG Recommended

The OIG made eight recommendations:

- 1 Return funds that were spent on unallowable costs to the election fund.
- 2 Implement policies and procedures to ensure adequate documentation is maintained for grant purchases.
- 3 Provide inventory listings for the IT department and each county.
- 4 Implement policies and procedures to ensure that assets are properly managed.
- 5 Implement internal control and asset management policies and procedures, which include periodic review and update.
- 6 Provide transaction detail for interest income earned.
- 7 File financial reports for the Section 251 funds.
- 8 Implement procedures and training to ensure that financial reporting is properly completed.



OFFICE OF INSPECTOR GENERAL

U.S. Election Assistance Commission

DATE: September 21, 2022

TO: U.S. Election Assistance Commission, Interim Executive Director, Mark Robbins

FROM: U.S. Election Assistance Commission, Inspector General, Brianna Schletz

SUBJECT: Audit of the Help America Vote Act Grants Awarded to the State of Delaware
(Report No. G22DE0010-22-06)

This memorandum transmits the final report on Help America Vote Act grants awarded to the state of Delaware. The Office of Inspector General contracted McBride, Lock & Associates, LLC, an independent certified public accounting firm, to conduct the audit. The contract required that the audit be performed in accordance with U.S. generally accepted government auditing standards. We monitored the firm's work to ensure that it adhered to those standards.

Please keep us informed of the actions taken on the report's eight recommendations, as we will track the status of their implementation.

We appreciate the assistance you and your staff provided to us during this audit.

cc: Commissioner Thomas Hicks, Chair
Commissioner Christy McCormick, Vice Chair
Commissioner Benjamin W. Hovland
Commissioner Donald L. Palmer

McBRIDE, LOCK & ASSOCIATES, LLC

Certified Public Accountants

Established 1980

Performance Audit Report

**Administration of Payments Received Under the Help America Vote Act by
the Delaware Commissioner of Elections**

Prepared for

**The United States Election Assistance Commission (EAC)
Office of Inspector General**

By

McBride, Lock & Associates, LLC

July 2022

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Performance Audit Report
Administration of Payments Received Under the Help America Vote Act by
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**U.S. Election Assistance Commission
Performance Audit Report
Administration of Payments Received Under the Help America Vote Act by
the Delaware Commissioner of Elections**

EXECUTIVE SUMMARY

McBride, Lock & Associates, LLC was engaged by the United States Election Assistance Commission (EAC) Office of the Inspector General to conduct a performance audit of the of the administration of payments received under the Help America Vote Act (HAVA or the Act) by the Delaware Commissioner of Election’s Office (Office). The payments received by the Office are identified as Election Security, and the CARES Act. The scope of the audit includes: Election Security administration from inception on November 1, 2018 through September 30, 2020; Section 251 federal financial reporting efforts through September 30, 2020; CARES Act administration from inception on May 6, 2020 through December 31, 2020, including matching fund expenditures made after December 31, 2020. The objective of the audit was to determine whether the Office used payments authorized by Sections 101 and 251 of the Help America Vote Act of 2002 (the HAVA) in accordance with HAVA and applicable requirements; properly accounted for and controlled the funds and property purchased with HAVA payments; and, used the funds in a manner consistent with the budget plan provided to EAC.

In addition, the Commission requires states to comply with certain financial management requirements, specifically:

- Expend payments in accordance with Federal cost principles established by the Office of Management and Budget (OMB) – (2 CFR 200).
- Submit detailed annual financial reports on the use of Title I and Title II payments.
- Maintain documents and records subject to audit to determine whether payments were used in compliance with HAVA.

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.

Based on the audit procedures performed, except for the matters discussed below, we concluded that the Office generally accounted for and expended the Grant funds in accordance with the requirements mentioned above and for the periods mentioned above. The exceptions are as follows:

1. The Office did not provide adequate documentation to support 14 of the 39 transactions sampled. For one transaction, no invoice was provided. For four transactions, the cost

exceeded the open market threshold of \$10,000, but no evidence of quotations or a formal bid was provided by the Office. For 13 transactions, a purchase order was not provided when the purchase exceeded \$10,000. The total of the 14 unsupported transactions was \$629,248.

2. The Office did not provide a non-capital asset record or State capital asset listing. In our testing, we identified ten invoices totaling \$3,876,410 with line items in excess of the \$5,000 federal capitalization threshold, which would need to be included on a non-capital asset record per State of Delaware policy. Additionally, six of the ten invoices had line items in excess of the \$25,000 threshold, which would need to be maintained in the State's capital asset listings. Some of these items were distributed to Delaware counties. Four of the invoices, totaling \$341,547, were determined to be unsupported and included in Finding No. 1. The remaining six invoices had sufficient documentation to support their allowability, allocability, and reasonableness.
3. The Office lacks complete, documented policies with respect to internal controls and asset management.
4. Interest income of the Election Security and CARES Act grants were not reported on the Federal Financial Reports (FFRs) by the Office. The total interest income earned for the Election Security and CARES Act grants, as stated in correspondence with the Office, was \$19,742 and \$6,315, respectively. The Office has not filed an FFR for the Section 251 funds since 2014.

We have included in this report as Appendix A, the Commissioner's written response to the draft report. Such response has not been subjected to audit procedures and, accordingly, we do not provide any form of assurance on the appropriateness of the response or the effectiveness of the corrective actions described therein.

BACKGROUND

The Help America Vote Act of 2002 (HAVA) created the U.S. Election Assistance Commission (Commission) to assist States and insular areas (hereinafter referred to as States) with improving the administration of federal elections and to provide funds to States to help implement these improvements. The Commission administers grants to States authorized by HAVA under Title I and Title 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; developing a state plan for requirements payments; improving, acquiring, leasing, modifying, or replacing voting systems, and methods for casting and counting votes; improving the accessibility and quantity of polling places; and establishing toll-free telephone hotlines that voters may use.

- Title II, Section 251 requirements payments are for complying with Title III requirements for voting system equipment; and addressing provisional voting, voting information, Statewide voter registration lists, and voters who register by mail.

The HAVA Election Security, Section 251 and CARES Act grants also require that states must:

- Maintain funds in a state election fund (as described in Section 104 (d) of HAVA).
- Expend payments in accordance with Federal cost principles established by the Office of Management and Budget (OMB) – (2 C.F.R. § 200).
- Submit detailed annual financial reports on the use of Title I and Title II payments. Reports must include a summary of expenditures aligned with budget categories in the grantee’s plan, a list of equipment obtained with the funds, and a description of how the funded activities met the goals of the plan.
- Provide matching funds of the Federal funds within a period stipulated by the award to be documented on the annual SF-425 submission
- Maintain documents and records subject to audit to determine whether payments were used in compliance with HAVA.

The Awardee – The Delaware Commissioner of Elections

The HAVA funds were awarded to the Delaware Commissioner of Elections. The administration of elections in Delaware is a state responsibility. Four state agencies are involved: the Commissioner of Elections and the Department of Elections for each of Delaware’s three counties. The Commissioner of Elections is appointed by the Governor and confirmed by the State Senate. The Commissioner of Elections is responsible for establishing and assuring election management standards incorporating uniformity in the conduct of elections, the application of election standards, and voting equipment, among other duties. The Department of Elections for each county report to respective Boards of Election that are appointed by the Governor. The Department conducts elections in accordance with the Delaware Code and with standards and operating procedures established by the Commissioner.

Help America Vote Act State of Delaware State Plans

The State of Delaware’s HAVA budget narrative was prepared by the State Election Commissioner.

Election Security 2018 and 2020

The main objective of the 2018 project funded by HAVA, as set forth in the budget letter, was to purchase a new voting system that included electronic poll books, election management and voter registration systems, and absentee systems.

The main objective of the 2020 project funded by HAVA, as set forth in the budget letter, was to improve physical security at offices and warehouses, enhance cybersecurity on election systems, and fund security enhancements for the new voting system.

Section 251 Reissued

Delaware has Section 251 funds to be reissued. However, the State has not provided a federal financial report since 2014, so the EAC has not reissued the Section 251 funds.

CARES Act

The objective of the 2020 CARES Act project funded by HAVA, as set forth in the budget letter, was to use the funds to prevent, prepare for, and respond to coronavirus domestically or internationally, for the 2020 Federal election cycle. To address the effects of the coronavirus on the election through costs already incurred for cleaning materials for voting equipment, protective equipment for election officers, and additional absentee voting supplies. Costs were anticipated to include additional cleaning/disinfecting supplies for voting equipment, additional protective equipment for election officers, and additional equipment, software, and supplies for printing/ mailing/ scanning/ tabulating absentee ballots due to anticipated increased absentee voting volume.

AUDIT OBJECTIVES

The objectives of our audit were to determine whether the Office:

1. Used funds for authorized purposes in accordance with Section 101 of HAVA and other applicable requirements;
2. Properly accounted for and controlled property purchased with HAVA payments; and
3. Used the funds in a manner consistent with the informational plans provided to EAC.

In addition to accounting for Grant payments, the Grant 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 Grant funds to comply with certain financial management requirements, specifically:

- Expend payments in accordance with Federal cost principles established by the Office of Management and Budget (OMB) – (2 CFR 200).
- Submit detailed annual financial reports on the use of Title I and Title II payments.
- Maintain documents and records subject to audit to determine whether payments were used in compliance with HAVA.

SCOPE AND METHODOLOGY

We audited the Election Security grant funds received and disbursed by the Office from November 1, 2018 through September 30, 2020. These funds are related to the appropriation of \$380 million under the Consolidated Appropriations Act (CAA), 2018 (P.L. 115-151) and \$425 million under the CAA, 2020 (P.L. 115-141). We reviewed the Office’s Section 251 federal financial reporting efforts through September 30, 2020. We audited the CARES Act grant funds received and disbursed by the Office from May 6, 2020, through December 31, 2020. These funds are related

to the \$400 million authorized by the U.S. Congress under the Coronavirus Aid, Relief and Economic Security Act (P.L. 116-136). The scope of activity audited is shown in the following table:

Description	Election Security Funds	Section 251 Reissued Funds	CARES Act Funds
Funds Received from EAC	\$ 6,036,503	\$ 13,021,803	\$ 3,000,000
State Matching Funds	10,333,685	(B)	600,000
Program Income	(A) 19,742	(B)	(A) 6,315
Total Funds	\$ 16,389,930	(B)	\$ 3,606,315
Less Disbursements	(14,727,337)	(B)	(3,598,965)
Fund Balance	<u>\$ 1,662,593</u>	<u>(B)</u>	<u>\$ 7,350</u>

Note (A): Program income earned per the Office. A transaction detail of this amount was not provided.

Note (B): The Office has not provided a Section 251 FFR since 2014.

Program income in the above table consists entirely of interest earned on the federal funds as reported in the program income section of the federal financial reports.

The Office’s Election Security expenditures detailed by budget and program category and CARES Act expenditures detailed by cost category are included as Appendix C.

In planning and performing our audit, we identified the following internal control components and underlying internal control principles as significant to the audit objective:

Objective	Component	Principle
1	Control Activities	Selects and develops control activities Selects and develops general controls over technology Deploys through policies and procedures
	Information and Communication	Uses Relevant Information Communicates Internally Communicates Externally
2	Control Activities	Selects and develops control activities Selects and develops general controls over technology Deploys through policies and procedures
	Information and Communication	Communicates Externally
3	Control Activities	Selects and develops control activities Selects and develops general controls over technology Deploys through policies and procedures

We assessed the design, implementation, and operating effectiveness of these internal controls and identified deficiencies that we believe could affect the Office's ability to use funds for authorized purposes, and properly account for and control property. The internal control deficiencies we found are discussed in the Audit Results section of this report.

Additionally, for the components and principles which we determined to be significant, we assessed the internal controls and compliance with laws and regulations necessary to satisfy the audit objective.

However, because our review was limited to these internal control components and underlying principles, it may not have disclosed all internal control deficiencies that may have existed at the time of this audit.

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.

Based on the audit procedures performed, we concluded that the Office generally accounted for HAVA funds in accordance with the requirements mentioned above and used the funds in a manner consistent with informational plans submitted during the audit period. However, the Office did not properly account for property purchases with HAVA payments. The exceptions to applicable compliance requirements are described below.

Finding No. 1 – Unsupported Costs

The Office did not provide adequate documentation to support 14 of the 39 transactions sampled. For one transaction, no invoice was provided. For four transactions, the cost of materiel exceeded the open market purchase threshold of \$10,000, but no evidence of quotations or a formal bid was provided by the Office. For 13 transactions, a purchase order was not provided when the purchase exceeded \$10,000. The total of the 14 unsupported transactions was \$629,248.

The Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) at 2 CFR 200.403 states that, "Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards: (g) Be adequately documented."

The State of Delaware, Office of Management and Budget (OMB), Budget and Accounting Policy, Chapter 5 – Procurement requires State of Delaware offices to procure goods and services through the Mandatory Use Contracts (MUC) negotiated by Government Support Services, or if the good or service cannot be obtained through an MUC, purchases are to be made according to the following: Purchases of materiel less than \$10,000 can be made from an open market purchase; from \$10,000 to \$49,999 require three written quotes; and in excess of \$50,000 require a formal

bid. Further, Chapter 7 – Purchasing and Disbursements, requires a purchase order for purchases exceeding \$10,000.

The Office has not provided adequate documentation to support the allowability of 14 expenditures charged to the HAVA grant.

Proper documentation of purchases helps to ensure that expenditures charged to federal funds are allowable, allocable and reasonable.

Recommendation

We recommend that the EAC require the Office to:

1. Transfer to the election fund \$629,248 for the unsupported costs cited above.
2. Implement policies and procedures or training to ensure adequate documentation is maintained to support the allowability of expenditures charged to the HAVA grant, including maintaining copies of invoices paid, contracts from which purchases were made and purchase orders for purchases exceeding \$10,000.

Commissioner of Election’s Response:

The Delaware Department of Elections (DoE), Office of the State Election Commissioner (SEC) is working closely with the Election Assistance Commission (EAC) to provide the required supporting documentation for expenditures in question as unsupported costs. To date, SEC has supplied EAC with copies of invoices, purchase orders, and the State Division of Accounting’s (DoA) Budget and Accounting manual regarding procurement procedures and purchase order process flow. SEC will be working with the Division of Accounting to establish policies and procedures specific to DoE, considering that the Department is generally exempt from standard State procurement procedures, but attempts to follow these established procedures as frequently as possible. The DoE will continue to work with EAC to answer any outstanding questions regarding any transactions.

Auditor’s Response:

The resolution of the unsupported costs and the appropriateness of procedures to resolve future findings will be determined during the resolution process between the Office and EAC.

Finding No. 2 – Property Records

The Office did not provide a non-capital asset record or State capital asset listing. In our testing, we identified ten invoices totaling \$3,876,410 with line items in excess of the \$5,000 federal capitalization threshold, which would need to be included on a non-capital asset record per State of Delaware policy. Additionally, six of the ten invoices had line items in excess of the \$25,000 threshold, which would need to be maintained in the State’s capital asset listings. Some of these items were distributed to Delaware counties. Four of the invoices, totaling \$341,547, were determined to be unsupported and included in Finding No. 1. The remaining six invoices had sufficient documentation to support their allowability, allocability, and reasonableness.

The Uniform Guidance at 2 CFR 200.313(b) states that, “A state must use, manage and dispose of equipment acquired under a Federal award by the state in accordance with state laws and procedures.” Equipment is defined at 2 CFR 200.1 as “tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the non-Federal entity for financial statement purposes, or \$5,000.”

State of Delaware, OMB, Budget and Accounting Policy, Chapter 13 – Asset Management states that, “Organizations are responsible for (1) maintaining schedules of assets purchased with federal funds according to grant agreements, and (2) ensuring that all assets purchased under \$25,000 with federal funds are properly accounted for in the Organization’s non-capital asset records. Assets valued above \$25,000 that are purchased with federal funds are maintained in the State’s capital asset listings.”

The Office states that the IT Department keeps an inventory listing of all the Office’s computers, printers, laptops and accessories, and each county is responsible for keeping an inventory listing of pollbooks, machines, printers and accessories. However, the Office has not provided these listings.

Proper tracking of property purchased with federal funds ensures that equipment is being used and disposed of in accordance with federal regulations and state laws and procedures.

Recommendation

We recommend the EAC require the Office to:

3. Provide the inventory listing maintained by the IT Department and each County.
4. Implement policies and procedures or training to ensure that assets are managed in accordance Uniform Guidance and the State of Delaware’s policy.

Commissioner of Election’s Response:

The DoE is in the process of gathering updated voting equipment inventory lists, working in collaboration with the DoE’s county offices, as well as with the DoE IT team to compile the list of technology-related items, and will be working with the State DoA to develop policies and procedures for maintaining inventories of equipment that meet asset/non-asset equipment listing requirements pertaining to equipment purchased with federal funds. The DoE anticipates completing these actions by December 31, 2022.

Auditor’s Response:

The resolution of the finding and appropriateness of the equipment inventory procedures developed by the Office to resolve future findings will be determined during the resolution process between the Office and EAC.

Finding No. 3 – Documentation of Policies and Procedures

The Office lacks complete, documented policies with respect to internal controls and asset management.

The State of Delaware OMB, Budget and Accounting Policy, Chapter 2 – Internal Controls states, "Documentation is required to demonstrate the design, implementation, and operational effectiveness of an Organization's internal control system." Further it states, "Management is responsible for maintaining and communicating written policies and procedures to ensure an effective system of internal controls exists within each agency. Effective policies and procedures help ensure management directives are carried out and necessary actions are taken to address risks to the achievement of the agency's objectives."

The State of Delaware OMB Budget and Accounting Policy, Chapter 13 – Asset Management states, "Organization officials must establish internal written procedures and controls necessary to implement and monitor applicable asset management accounting and reporting policies, guidelines, and standards."

The Office states that they are working with the State of Delaware Division of Accounting to get written policies and procedures and internal controls in place. It is the Office's procedure to follow the State of Delaware Budget and Accounting Manual.

Inadequate documented policies and procedures may result in a lack of awareness and compliance with management's directives and could allow noncompliance with grant terms and conditions to occur and not be detected.

Recommendation

5. We recommend the EAC require the Office to ensure that documented policies and procedures related to internal controls and asset management are established and implemented in accordance with the State of Delaware's policy. Implementation should include policies to review and update the procedures on a regular basis.

Commissioner of Election's Response:

The DoE is small agency as compared to other State agencies and, as such, generally adapts existing State policies in use by other, larger agencies, as is the case in this instance. DoE follows the general policies and procedures laid out by the State's DoA and, more specifically, follows the provisions of the State Budget and Accounting Manual. The DoE will be working with the Division of Accounting to establish policies and procedures specific to our department. We anticipate completing this process by December 31, 2022.

Auditor's Response:

The proposed corrective actions, if implemented, would be sufficient to resolve the finding.

Finding No. 4 – Financial Reporting

Interest income of the Election Security and CARES Act grants were not reported on the Federal Financial Reports (FFRs) by the Office. The total interest income earned for the Election Security and CARES Act grants, as stated in correspondence with the Office, was \$19,742 and \$6,315, respectively. The Office has not filed a FFR for the Section 251 funds since 2014.

The terms and conditions of the grant awards require the submission of an accurate and complete Federal Form 425 (Federal Financial Report) which reflect the uses of award funds and the interest and program income generated from those funds. HAVA Title IX, Section 902. AUDITS AND REPAYMENT OF FUNDS, Part (a) – Recordkeeping Requirement states, “Each recipient of a grant or other payment made under this Act shall keep such records with respect to the payment as are consistent with sound accounting principles, including records which fully disclose the amount and disposition by such recipient of funds, the total cost of the project or undertaking for which such funds are used, and the amount of that portion of the cost of the project or undertaking supplied by other sources, and such other records as will facilitate an effective audit.”

The Office was made aware of the requirement to earn and report interest income on the FFR by the EAC in February 2019. However, the Office has not provided detail of the interest income earned or reported the program income on the FFRs. The Office is working with the State’s grant team to complete the Section 251 FFR. However, the Office has not provided a timeline for completion of the Section 251 FFR.

Proper and timely reporting of uses of award funds and the interest income generated by federal funds ensures that the funds are tracked and spent in accordance with federal regulations.

Recommendation

We recommend that the EAC require the Office to:

6. Provide transaction detail of interest income earned for the Election Security and CARES Act grants.
7. Complete and file FFRs for the Section 251 funds or if the Office is unable to complete the Section 251 FFR, obtain financial services to support the completion of the filings.
8. Implement procedures and training to properly fill out the required FFRs, which reflect the uses of award funds and the interest income generated from those funds for all HAVA grants.

Commissioner of Election’s Response:

To bring the required financial reports current, the SEC will be working with the State Treasurer’s office and the State DOA’s Grants Management Team to accomplish this. The DoE will be addressing the matter of currently outstanding financial reports to be filed, and the open item of earned interest for all DoE grant funds. The Department will be working with EAC to ensure that each grant is made current in all aspects. DoE anticipates completing these tasks by December 31, 2022.

Auditor's Response:

The resolution process needs to ensure that accurate Federal Financial Reports are submitted for the Election Security, CARES Act, and Section 251 grants, as well as determining the appropriateness of procedures to prevent future findings.

The Office responded on August 30, 2022, and generally agreed with the report's findings and recommendations. The EAC responded on August 26, 2022, and stated they will work with the Delaware Commissioner of Elections to implement and complete appropriate corrective action on the findings. The Office's complete response is included as Appendix A-1 and the EAC's complete response as Appendix A-2.

McBride, Lock & Associates, LLC performed the related audit procedures between July 8, 2021, and July 20, 2022.

A handwritten signature in blue ink that reads "McBride, Lock & Associates, LLC". The signature is written in a cursive, flowing style.

McBride, Lock & Associates, LLC
Kansas City, Missouri
July 20, 2022

APPENDIX A-1

**Response of the
Delaware Commissioner of Elections
to the Draft Report**



STATE OF DELAWARE
DEPARTMENT OF ELECTIONS

August 30, 2022

Brianna Schletz, Inspector General
U.S. Election Assistance Commission
Office of Inspector General
633 3rd Street NW, Suite 200
Washington, DC 20001

Re: Response to EAC OIG Draft Report: Audit of the Help America Vote Act Grants Awarded to the State of Delaware

Dear Ms. Schletz:

The Department appreciates the opportunity to offer our responses to the findings of the draft audit report of HAVA funds awarded to the State of Delaware. We hope that the responses provided will provide sufficient details on our planned actions to address findings presented. The Department will be happy to further elaborate on these responses, if needed.

The Department wishes to thank Grants Consultant Peg Rosenberry for her continued invaluable assistance with this process, as well.

Finding No. 1 – Unsupported Costs

Adequate documentation not provided to support sampled transactions

State Election Commissioner's Response:

The Delaware Department of Elections (DoE), Office of the State Election Commissioner (SEC) is working closely with the Election Assistance Commission (EAC) to provide the required supporting documentation for expenditures in question as unsupported costs. To date, SEC has supplied EAC with copies of invoices, purchase orders, and the State Division of Accounting's (DoA) Budget and Accounting manual regarding procurement procedures and purchase order process flow. SEC will be working with the Division of Accounting to establish policies and procedures specific to DoE, considering that the Department is generally exempt from standard State procurement procedures, but attempts to follow these established procedures as frequently as possible. The DoE will continue to work with EAC to answer any outstanding questions regarding any transactions.

Finding No. 2 – Property Records

A non-capital asset record or State capital asset listing not provided

State Election Commissioner's Response:

The DoE is in the process of gathering updated voting equipment inventory lists, working in collaboration with the DoE's county offices, as well as with the DoE IT team to compile the list of technology-related items, and will be working with the State DoA to develop policies and procedures for

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PHONE: (302) 739-4498

SUSSEX COUNTY OFFICE
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maintaining inventories of equipment that meet asset/non-asset equipment listing requirements pertaining to equipment purchased with federal funds. The DoE anticipates completing these actions by December 31, 2022.

Finding No. 3 – Documentation of Policies and Procedures

Need for documented policies with respect to internal controls and asset management

State Election Commissioner’s Response:

The DoE is small agency as compared to other State agencies and, as such, generally adapts existing State policies in use by other, larger agencies, as is the case in this instance. DoE follows the general policies and procedures laid out by the State’s DoA and, more specifically, follows the provisions of the State Budget and Accounting Manual. The DoE will be working with the Division of Accounting to establish policies and procedures specific to our department. We anticipate completing this process by December 31, 2022.

Finding No. 4 – Financial Reporting

Grant reports for Section 251 not current

State Election Commissioner’s Response:

To bring the required financial reports current, the SEC will be working with the State Treasurer’s office and the State DOA’s Grants Management Team to accomplish this. The DoE will be addressing the matter of currently outstanding financial reports to be filed, and the open item of earned interest for all DoE grant funds. The Department will be working with EAC to ensure that each grant is made current in all aspects. DoE anticipates completing these tasks by December 31, 2022.

Sincerely,



Anthony Albence
State Election Commissioner

APPENDIX A-2

**Response of the
U.S. Election Assistance Commission
to the Draft Report**



U.S. ELECTION ASSISTANCE COMMISSION
633 3rd Street, NW. Suite 200
Washington, DC 20001

TO: Brianna Schletz, Inspector General

FROM: Kinza Ghaznavi, Grants Director

DATE: August 26, 2022

RE: Response to Draft Audit Report of Grants Awarded to the Delaware Commissioner of Election's Office

This is the EAC's response to the OIG draft audit of HAVA funds awarded to the Delaware Commissioner of Election's Office (Office) and serves as the EAC's management decision. The scope of the audit included HAVA Sections 251, 101 Election Security and 101 CARES grants. The EAC agrees with the recommendations and describes our management decisions related to each one below.

Finding #1 and Recommendations #1 and #2, Unsupported Costs: The auditors questioned \$629,248 in costs as unsupported because the Office could not provide proper invoices or purchase orders for the expenditures or provide evidence the Office had followed required competitive bidding processes. The auditors recommend the EAC require the Office to:

1. Transfer to the election fund \$629,248 for the unsupported costs cited above.
2. Implement policies and procedures or training to ensure adequate documentation is maintained to support the allowability of expenditures charged to the HAVA grant, including maintaining copies of invoices paid, contracts from which purchases were made and purchase orders for purchases exceeding \$10,000.

Management Decision: The Office has provided adequate supporting documentation for many of the questioned costs related to procurements as well as state regulations that allow exceptions to state procurement requirements for the Election Office. The EAC grants staff will review that supporting documentation by September 30 to determine which expenditures are supported, including why the purchase orders were not provided during the audit. For Recommendation #2, Office staff indicated that they generally follow state procurement policies despite the exception they have from certain state procurement procedures. The EAC notes that they have not established a consistent policy for when state procurement requirements will apply and when they will not. We are requiring the Office to work with the Division of Accounting to develop such policies and to document consistent procedures for applying them to procurements. They expect to have the new policies in place by December 31, 2022.

Finding #2 and Recommendations #3 and #4, Property Records: During the audit, the Office could not provide a non-capital asset record or State capital asset listing. State policies require equipment in excess of \$25,000 to be recorded on a State capital asset listing. In addition, to meet requirements under 2 CFR 200 related to equipment with per unit costs in excess of \$5,000 purchased with federal funds, such equipment should have been recorded on the State non-capital asset record. The auditors recommended that the EAC require the Office to:

3. Provide the inventory listing maintained by the IT Department and each County.
4. Implement policies and procedures or training to ensure that assets are managed in accordance Uniform Guidance and the State of Delaware's policy.

Management Decision: The Office is currently working with the counties to supply their lists and with its IT department to update the inventory the IT department supplied. They are also working with the State's Division of Accounting to develop policies and procedures for maintaining inventories of equipment that meet asset and non-asset listing requirements and requirements for equipment purchased with federal grant funds, as appropriate. They expect to have the county and IT department listings up to date and the policy and procedures in place by December 31, 2022.

Finding #3 and Recommendation #5, Documentation of Policies and Procedures: The auditors found the Office lacked complete, documented policies with respect to internal controls and asset management. They recommended that the EAC require the Office to ensure that documented policies and procedures related to internal controls and asset management are established and implemented in accordance with the State of Delaware's policy. Implementation should include policies to review and update the procedures on a regular basis.

Management Decision: The Office follows the Division of Accounting budget and accounting manual and is reviewing it with them to identify areas in which the Election Office needs to establish specific policies and procedures for the Office following accounting department guidelines. They are holding information gathering sessions that began a few months ago and will continue when the accounting department completes its fiscal year wrap-up. They expect to complete the process and have policies and procedures in place by December 31, 2022.

Finding #4 and Recommendations #6, #7 and #8, Financial Reporting: The auditors found that the Office was not reporting interest earned on the Election Security and CARES grants and had not submitted an FFR on the 251 grant since 2014. The auditors recommended that the EAC require the Office to:

6. Provide transaction detail of interest earned for the Election Security and CARES Act grants.
7. Complete and file FFRs for the Section 251 funds or if the Office is unable to complete the Section 251 FFR, obtain financial services to support the completion of the filings.

8. Implement procedures and training to properly fill out the required FFRs, which reflect the uses of award funds and the interest generated from those funds for all HAVA grants.

Management Decision: The Office is working with the State Treasury and the grants management staff within the Division of Accounting and expects to have accurate interest calculated by September 30 for the Election Security and CARES grants and by December 31 for the 251 grant. Once the EAC staff has reviewed and approved the interest calculations, we will require them to revise FFRs as needed and bring the 251 FFRs up to date. Regarding Recommendation #8, they will work with the state grants management staff to develop procedures for completing accurate financial reports and for identifying interest earned and expended for reporting on the FFRs. They expect to have policies and procedures in place by December 31, 2022.

The EAC expects to review the actions and documentation provided by the state by January 31, 2023.

AUDIT SCOPE AND 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 and of 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.

As part of our audit, we gained an overall understanding of the internal control environment at the Office. Based on this understanding, we identified certain internal controls that we considered to be significant (or key controls) to achieving each objective. All components of internal control are relevant, but not all may be significant. Significance is defined as the relative importance of a matter within the context in which it is being considered, and is a matter of professional judgment. We made the following determination as to the significance of the underlying internal control principles:

	Objective		
	1	2	3
Control Environment			
1 Demonstrates Commitment to integrity and ethical values	No	No	No
2 Exercises oversight responsibility	No	No	No
3 Establishes structure, authority, and responsibility	No	No	No
4 Demonstrates commitment to competence	No	No	No
5 Enforces accountability.	No	No	No
Risk Assessment			
6 Specifies suitable objectives	No	No	No
7 Identifies and analyzes risk	No	No	No
8 Assesses fraud risk	No	No	No
9 Identifies and analyzes significant change	No	No	No
Control Activities			
10 Selects and develops control activities	Yes	Yes	Yes
11 Selects and develops general controls over technology	Yes	Yes	Yes
12 Deploys through policies and procedures	Yes	Yes	Yes
Information and Communication			
13 Uses relevant information	Yes	No	No
14 Communicates internally	Yes	No	No
15 Communicates externally	Yes	Yes	No
Monitoring			
16 Conducts ongoing and/or separate evaluations	No	No	No
17 Evaluates and communicates deficiencies	No	No	No

The significance was determined as follows:

Objective 1: Control Activities and its underlying principles were deemed to be significant to our determination of the awardee’s compliance with the objective. The Control Activities component includes the design and implementation of specific tasks performed by individuals within the entity to fulfill their duties and responsibilities and to respond to identified risks. These principles address the design and implementation of activities related to management review, segregation of duties (including restriction of access with the information system), and documentation of internal controls and transactions. We determined these principles to be the most significant to the state’s proper use of funds and compliance with award requirements.

Information and Communication and its underlying principles were deemed to be significant to our determination of the awardee’s compliance with the FFR reporting portion of this objective. These principles address the quality of the information and the internal communication processes used to compile the data necessary to meet the state’s reporting objectives and reporting requirements to the counties.

Objective 2: Control Activities and its underlying principles were deemed to be significant to our determination of the awardee's compliance with the objective. The Control Activities component includes the design and implementation of specific tasks performed by individuals within the entity to fulfill their duties and responsibilities and to respond to identified risks. These principles address the design and implementation of activities related to management review, segregation of duties (including restriction of access with the information system), and documentation of internal controls and transactions. We determined these principles to be the most significant to the state's proper accounting and control over equipment purchased with HAVA funds.

The Information and Communication principle of Communicate Externally was deemed to be significant to our determination of the awardee's compliance with the objective because the state communicated with and relied on information from the counties where the equipment is located as part of the control system for accounting and controlling equipment purchased with HAVA funds.

Objective 3: Control Activities and its underlying principles were deemed to be significant to our determination of the awardee's compliance with the objective. The Control Activities component includes the design and implementation of specific tasks performed by individuals within the entity to fulfill their duties and responsibilities and to respond to identified risks. These principles address the design and implementation of activities related to management review, segregation of duties (including restriction of access with the information system), and documentation of internal controls and transactions. We determined these principles to be the most significant to the state's use of funds in a manner consistent with the plans provided to EAC.

To implement our audit methodology, below are some of the audit procedures we performed.

- Interviewed appropriate Office employees about the organization and operations of the HAVA program.
- Reviewed prior single audit reports and other reviews related to the State's financial management systems and the HAVA program for the period under review.
- Reviewed policies, procedures and regulations for the Office management and accounting systems as they relate to the administration of the HAVA program.
- Tested major purchases and the supporting documentation.
- Tested randomly sampled payments made with HAVA funds.
- Evaluated compliance with the requirements for accumulating financial information reported to the Commission on the financial status reports and progress reports, accounting for property, purchasing HAVA related goods and services, and using funds in a manner consistent with the budget plan provided to EAC.
- Verified the establishment and maintenance of an election fund.
- Observed the physical security/safeguards of selected equipment purchased with HAVA funds and ensure compliance with federal regulation.
- Verified whether the matching requirement was met and, if so, that matching expenditures met the prescribed criteria and allowability requirements of HAVA.
- Verified program income and interest income was properly accounted for and not remitted to the State's general fund.

**ELECTION SECURITY EXPENDITURES BY BUDGET CATEGORY AND PROGRAM CATEGORY
NOVEMBER 1, 2018 TO SEPTEMBER 30, 2020**

Budget Categories	Program Categories						Total
	Voting Equipment	Election Auditing	Voter Registration Systems	Cyber Security	Communications	Other	
Personnel (Including Fringe)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Equipment	805,616	-	3,000,000	-	-	-	3,805,616
Subgrants	-	-	-	-	45,538	-	45,538
Training	-	-	-	-	-	-	-
All Other Costs	-	-	-	147,048	-	395,450	542,498
Total Direct Costs	\$ 805,616	\$ -	\$ 3,000,000	\$ 147,048	\$ 45,538	\$ 395,450	\$ 4,393,652
Indirect Costs (if applied)	-	-	-	-	-	-	-
Total Federal Expenditures	\$ 805,616	\$ -	\$ 3,000,000	\$ 147,048	\$ 45,538	\$ 395,450	\$ 4,393,652
Non-Federal Match	10,201,404	-	-	31,084	13,942	87,255	10,333,685
Total Program Expenditures	\$ 11,007,020	\$ -	\$ 3,000,000	\$ 178,132	\$ 59,480	\$ 482,705	\$ 14,727,337

**CARES ACT EXPENDITURES BY COST CATEGORY
MAY 6, 2020 TO DECEMBER 31, 2020**

Cost Categories	Expenditure Type		Total
	Federal	Match	
Voting Processes	\$ 2,343,642	\$ 292,393	\$ 2,636,035
Staffing	308,047	108,438	416,485
Security and Training	20,098	3,836	23,934
Communications	123,858	55,513	179,371
Supplies	203,320	38,580	241,900
Total CARES Expenditures	<u>\$ 2,998,965</u>	<u>\$ 498,760</u>	<u>\$ 3,497,725</u>

Note: Difference between match expenditures above and match spending of \$600,000 in previous table is due to match expenditures charged after December 31, 2020.

MONETARY IMPACT AS OF SEPTEMBER 30, 2020 FOR ELECTION SECURITY AND AS OF DECEMBER 31, 2020 FOR CARES ACT GRANT

Description	Questioned Costs	Unsupported Costs	Additional Funds for Program
Unsupported Costs	\$ -	\$ 629,248	\$ -
Total	<u>\$ -</u>	<u>\$ 629,248</u>	<u>\$ -</u>



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