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



Semiannual Report  
For the Period  
April 1, 2006 Through September 30, 2006

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

November 30, 2006

The Honorable Paul DeGregorio  
Chairman  
U.S. Election Assistance Commission  
1225 New York Avenue NW- Suite 1100  
Washington, D.C. 20005

Dear Mr. Chairman:

I am please to submit the Semiannual Report to the Congress on the activities and accomplishments of the Office of Inspector General for the period April 1, 2006 through September 30, 2006. The report provides descriptions of our audits, evaluations and investigations performed during the past six months. The report is submitted in accordance with section 5 of the Inspector General Act of 1978 (Public Law 95-452, as amended). The Act requires that you transmit this report along with any comments you wish to make, to the appropriate Congressional committees and subcommittees within 30 days.

The Office of Inspector General sincerely appreciates the assistance and cooperation extended to its staff by all Election Assistance Commission personnel.

Sincerely,

A handwritten signature in blue ink that reads "Curtis W. Crider".

Curtis W. Crider  
Inspector General

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## 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.

EAC's principle responsibilities are to:

***EAC administers \$3 billion of Federal payments to states for the improvement of Federal elections***

- Administer funds that HAVA authorized for states to improve the administration of Federal elections, to replace-punch card and lever-action voting machines, and to meet the election technology and other administrative requirements of HAVA. To date, states have received Federal payments of approximately \$3 billion.
- Serve as a national clearinghouse on matters concerning the administration of elections under Federal law; and provide outreach to state and local election officials.
- Develop and update standards on voting systems and provide guidance on subjects such as statewide voter registrations systems and provisional ballots critical to the implementation of HAVA.
- Implement a system to accredit laboratories that test voting systems and to certify, decertify, and recertify voting system software and hardware against standards.

***EAC employed 23 people and operated on a \$14 million budget in fiscal year 2006***

In fiscal year 2006, EAC had a budget of about \$14.1 million and was authorized 23 full-time personnel. Major expenditures were for salaries and related benefits (\$2.45 million); research and development (\$4.8 million), including the transfer of funds to the National Institute of Standards and Technology; and other contracted services for audits, financial and information technology support, assistance for the accreditation and testing program, and website management.

See Appendix D for a full list of EAC duties.

## OIG Operations

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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.

*During fiscal year 2006, EAC OIG focused its efforts on states expenditure of HAVA funds.*

On August 9, 2005, EAC authorized the appointment of an Acting Inspector General to develop policies, procedures and programs necessary to establish an Office of Inspector General (OIG). On August 24, 2006, EAC selected Mr. Curtis Crider as its Inspector General.

The EAC OIG is currently staffed with one permanent full-time position (the Inspector General) and two contract auditors from the U.S. Department of the Interior, OIG. In addition, the EAC OIG also contracted with an independent public accounting firm for additional audit support. Finally, the EAC OIG signed a Memorandum of Understanding with the U.S.'s General Services Administration (GSA), OIG, whereby the GSA's OIG provides investigative coverage for the EAC OIG on a reimbursable as needed basis. The EAC's Office of General Counsel provides the OIG with legal services. During fiscal year 2006, EAC OIG focused its efforts on state expenditure of HAVA funds.

## Summary of Work Completed by the EAC OIG

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During the six-month period ending September 30, 2006, the OIG completed two reviews.

### *Reviews of New Jersey and Georgia administration of HAVA funds*

The objective of the reviews were 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.

### *Georgia*

We found that Georgia administered its HAVA funds in accordance the Common Rule and OMB Circular A-87. We also determined that Georgia complied with the HAVA requirement for maintaining the State's level of expenditures for elections but did not fully comply with the requirement for the establishment of an election fund. Because Georgia had expended most of its HAVA funds and had spent in excess of its matching requirement, the EAC indicated that it was not now necessary for Georgia to set up an election fund in the state treasury.

### *New Jersey*

We found that New Jersey needed to improve its procedures and/or processes for supporting salary allocations, charging fringe benefits, recovering indirect costs, accounting for property, and tracking county election expenditures. In addition, we determined that the State complied with HAVA requirements for the election fund and for appropriating sufficient state funds to qualify for its allocation of requirements payments. Finally, we noted that improvements were also needed to document that counties, which according to the State Plan bear the "bulk of fiscal responsibilities" for elections, were spending an amount for elections at least equal to the amounts spent in fiscal year 2000. In its response to the report, New Jersey agreed with the findings and indicated that corrective action had already taken place or was underway.

The report also presented information on the New Jersey voter outreach efforts pertaining to two Hip-Hop events that were funded with \$131,924 of HAVA Title I funds. The New Jersey “Be Powerful, Be Heard” voter outreach and education initiative included two hip-hop summits primarily for high school and college students. The EAC is in the process of determining whether paying for the summits was an appropriate use of HAVA funds.

***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
- Investigations
- Recommendations in Previous Reports on which Corrective Action has not been Implemented
- 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

## Significant Report Issued in Prior Period For Which Management Decision Made this Period

We issued an audit of the expenditure of HAVA funds by the California Office of the Secretary of State (Office) on December 10, 2005. EAC requested the audit to follow up on a prior audit by the California Bureau of State Audits that identified questionable uses of HAVA funds by the Office.

***Audit of California’s use of HAVA funds questioned \$3,860,361***

The objective of the audit was to (1) identify those transactions in which funding was used for an unallowable purpose or without required documentation or support and (2) estimate the total amount of money, if any, that the Office

spent on unallowable purposes or that was not supported by required documentation. The audit identified questioned costs of \$3,860,361 as summarized below:

- The expenditures (\$777,502) did not conform to federal costs principles. For example, the Office used HAVA funds for salaries and benefits applicable to non HAVA-related activities, unreasonable postage costs, improper promotional items and memorabilia, and costs outside of contract terms.
- The expenditures (\$3,082,859) lacked supporting documentation required by federal and California state requirements. This consisted principally of charges for personnel costs that were not substantiated by employee activity reports or certifications and the costs of consultant contracts that were awarded without adequate competition.

In a May 12, 2006 letter to the California Secretary of State, EAC sustained \$3,021,114 of the questioned costs and reinstated \$839,247.

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## Reports Issued

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***Internal Reports***

None

***External Reports***

1. Review of the Administration of Payments Received Under the Help America Vote Act by the Georgia Secretary of State, Report No. E-HP-GA-05-06, July 2006
2. Review of the Administration of Payments Received Under the Help America Vote Act by the New Jersey Department of Law and Public Safety, Report No. E-HP-NJ-04-06, September 2006

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

1. Single audit Report of the Commonwealth of Virginia for the Fiscal Year Ended June 30, 2005, Assignment No. E-SA-VA-50-06, April 2006
2. Minnesota Financial and Compliance Reports on Federally Assisted Programs for the Year Ended June 30, 2005, Assignment No. E-SA-MN-26-06, May 2006
3. State of California Internal Control and State and Federal Compliance Audit Report for the Fiscal Year Ended June 30, 2005, Assignment No. E-SA-CA-06-06, May 2006
4. State of South Carolina Single Audit for the Year Ended June 30, 2005, Assignment No. E-SA-SC-44-06, June 2006
5. State of Florida Auditor General Audit of the Department of State Help America Vote Act and the Florida Registration System, Assignment No. E-SA-FL-11-06, September 2006

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**Reports With Questioned Costs\***


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<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.	1	\$3,860,361	\$3,082,859
B. Which were issued during the reporting period.	2	0	0
Subtotals (A+B)	3	3,860,361	3,082,859
C. For which a management decision was made during the reporting period.	1	3,860,361	3,082,859
(i) Dollar value of recommendations that were agreed to by management.		3,021,114	2,243,612
(ii) Dollar value of recommendations that were not agreed to by management.		839,247	839,247
D. For which no management decision has been made by the end of the reporting period.	2	0	0
E. Reports for which no management decision was made within six months of issuance.	0	0	0

\* Unsupported costs are included in questioned costs.

## Reporting Requirements of the IG Act

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<i>Section of Act</i>	<i>Requirement</i>	<i>Page</i>
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	None
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 Audit Reports Issued During the Reporting Period	6
Section 5(a) (7)	Summary of Significant Reports	3
Section 5(a) (8)	Statistical Table – Questioned Costs	7
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

## Duties of the EAC

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HAVA requires the EAC to:

- Generate technical guidance on the administration of federal elections.
- Produce voluntary voting systems guidelines.
- Research and report on matters that affect the administration of federal elections.
- 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.
- Provide grants for election technology development and for pilot programs to test election technology.
- 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 persons who 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.

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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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