

# OFFICE OF INSPECTOR GENERAL

U.S. Election Assistance Commission

## AUDIT OF THE HELP AMERICA VOTE ACT GRANTS AWARDED TO THE STATE OF ALASKA

Report No. G22AK0020-23-06  
August 2, 2023



# HIGHLIGHTS

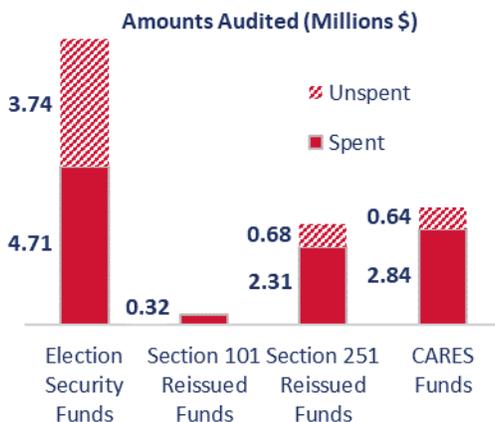
## AUDIT OF THE HELP AMERICA VOTE ACT GRANTS AWARDED TO THE STATE OF ALASKA

Report No.G22AK0020-23-06

August 2, 2023

### 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 Alaska under the Help America Vote Act (HAVA), including state matching funds and interest earned, totaling \$15.2 million. This included Election Security, reissued Section 101, reissued Section 251, and Coronavirus Aid, Relief, and Economic Security (CARES) Act grants.



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

- (1) used funds for authorized purposes in accordance with Sections 101 and 251 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.

The audit also determined if proper closeout procedures were followed for the CARES Act funds.

### What OIG Found

The Office of Inspector General found that the Alaska Office of the Lieutenant Governor generally accounted for HAVA funds in accordance with applicable requirements, accounted for and controlled property purchased, used the funds in a manner consistent with the informational plans that they had submitted, and followed proper closeout procedures for CARES Act funds.

However, there were two exceptions (1) Alaska charged \$47,753 to the Election Security grant to notify individuals of an unauthorized data exposure, which was determined to be outside the stated purpose of the award; and (2) grant expenditures were reported incorrectly in the State's 2019, 2020, and 2021 Schedule of Expenditures of Federal Awards, as previously identified in Alaska's Single Audit.

### What OIG Recommended

The Office of Inspector General made three recommendations to improve grant administration:

- 1 Transfer \$47,753 into the election fund for the unallowable expenditure.
- 2 Implement procedures and training to ensure that expenditures are in line with the stated purpose of the award.
- 3 Track the resolution of finding 2021-013 in the 2021 State of Alaska Single Audit.



**OFFICE OF INSPECTOR GENERAL**  
U.S. Election Assistance Commission

**DATE:** August 2, 2023

**TO:** U.S. Election Assistance Commission, Executive Director, Steven Frid

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

**SUBJECT:** Audit of the Help America Vote Act Grants Awarded to the State of Alaska  
(Report No. G22AK0020-23-06)

This memorandum transmits the final report on Help America Vote Act grants awarded to the State of Alaska. 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 three 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 Christy McCormick, Chair  
Commissioner Benjamin W. Hovland, Vice Chair  
Commissioner Donald L. Palmer  
Commissioner Thomas Hicks

# McBRIDE, LOCK & ASSOCIATES, LLC

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Certified Public Accountants

Established 1980

## **Performance Audit Report**

**Administration of Payments Received Under the Help America Vote Act by  
the Office of the Lieutenant Governor of Alaska**

Prepared for

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

By

**McBride, Lock & Associates, LLC**

May 2023

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**Performance Audit Report  
Administration of Payments Received Under the Help America Vote Act by  
the Office of the Lieutenant Governor of Alaska**

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**U.S. Election Assistance Commission  
Performance Audit Report  
Administration of Payments Received Under the Help America Vote Act by  
the Office of the Lieutenant Governor of Alaska**

**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 Office of the Lieutenant Governor of Alaska (Office). The payments received by the Office are identified as Election Security, Section 251 Reissued, Section 101 Reissued and the CARES Act. The scope of the audit includes: Election Security administration from inception on July 13, 2018 through March 31, 2022; Section 251 Reissued administration from inception on October 1, 2018 through March 31, 2022; Section 101 Reissued administration from inception on October 1, 2018 through closeout at September 30, 2020; CARES Act administration from inception on April 20, 2020 through closeout at March 31, 2021. 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; used the funds in a manner consistent with the budget plan provided to EAC. The audit also determined if proper closeout procedures were followed for the CARES Act funds.

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. During our audit, we selected 40 non-payroll expenditures for testing totaling \$3,223,513. We noted one invoice charged to HAVA Election Security Grant funds totaling \$47,753 that appears to be outside of the stated purpose of the award per the terms and conditions of the award. The invoice was for a mailing notifying individuals that the Department of Elections had determined that there was an unauthorized data exposure from the Online Voter Registration System.
2. The June 30, 2019, 2020 and 2021 Schedule of Expenditures of Federal Awards (SEFA) for the State of Alaska reported expenditures which differed from the amounts reported in the State of Alaska's financial management system.

We have included in this report as Appendix A, the Office of the Lieutenant Governor of Alaska'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 Reissued, Section 101 Reissued 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 Alaska Office of the Lieutenant Governor**

The HAVA funds were awarded to the Alaska Office of the Lieutenant Governor. The Lieutenant Governor is the chief election officer in the State of Alaska and is responsible for all statewide elections as well as a series of other minor elections. Historically, the Division of Elections is the principal agency tasked with the execution and operation of these elections.

### **Help America Vote Act State of Alaska State Plans**

The Alaska Office of the Lieutenant Governor’s HAVA budget narratives were prepared by the Director of Elections.

#### Election Security 2018 and 2020

The main objectives of the 2018 project funded by HAVA, as set forth in the budget letter, were to replace statewide voting equipment, modernize and improve the integrity and security of the State’s elections, and increase access for all eligible voters.

The objectives of the 2020 project funded by HAVA, as set forth in the budget letter, were to hire an Information Officer and Data Analyst, improve election hardware, increase physical security for elections, hire consultants for public relations, policy and procedure creation, and IT support work related to election auditing, security reviews and policy development. Additional amounts were proposed to be spent for training and certification of staff, travel, conference fees and supplies.

#### Section 251 Reissued

On July 15, 2019, the Office was informed of an interim administrative closeout of the HAVA Section 251 grant through September 30, 2018. On that date, the unexpended federal share and program income/interest earned were carried forward and reissued as a new grant. The funds were to be spent in accordance with Section 251.

#### Section 101 Reissued

On July 15, 2019 the Office was informed of an interim administrative closeout of the HAVA Section 101 grant through September 30, 2018. On that date, the unexpended interest was carried forward. The funds were to be spent in accordance with Section 101. On July 26, 2021, the Office was informed of a final administrative closeout of the grant through September 30, 2020.

#### CARES Act

The objectives 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. At minimum, the state planned to purchase safety and sanitizing supplies, work to expand opportunities for safe and secure voting, supplement temporary office staff

and purchase additional equipment. On June 3, 2021, the Office was informed of a final closeout of the grant through March 31, 2021.

## **AUDIT OBJECTIVES**

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

1. Used funds for authorized purposes in accordance with Section 101 and Section 251 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.

The audit also determined if proper closeout procedures were followed for the CARES Act funds.

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 July 13, 2018 through March 31, 2022. These funds are related to the appropriation of \$380 million under the Consolidated Appropriations Act (CAA), 2018 (P.L. 115-151), \$425 million under the CAA, 2020 (P.L. 115-141), and \$75 million in 2022. We audited the Section 251 grant funds reissued to and disbursed by the Office from October 1, 2018 through March 31, 2022. We audited the Section 101 grant funds reissued to and disbursed by the Office from October 1, 2018 through September 30, 2020. We audited the CARES Act grant funds received and disbursed by the Office from April 20, 2020, through March 31, 2021. 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	Section 251 Reissued	Section 101 Reissued	CARES Act
Funds Received from EAC	\$6,000,000	\$2,011,971	\$ -	\$3,000,000
State Matching Funds	2,299,491	-	-	473,855
Interest Income	156,202	972,455	320,826	7,119
Total Funds	\$8,455,693	\$2,984,426	\$ 320,826	\$3,480,974
Less Disbursements	(4,711,177)	(2,305,240)	(320,826)	(2,840,848)
Funds Returned	-	-	-	(640,126)
Fund Balance	<u>\$3,744,516</u>	<u>\$ 679,186</u>	<u>\$ -</u>	<u>\$ -</u>

The Office’s Election Security expenditures detailed by budget and program category, Section 251 and Section 101 Reissued Expenditures detailed by spending 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, accounted for and controlled property purchased, used the funds in a manner consistent with informational plans submitted during the audit period, and followed proper closeout procedures for CARES Act funds. The exceptions to applicable compliance requirements are described below.

### **Finding No. 1 – Election Security Grant Unallowable Costs**

During our audit, we selected 40 non-payroll expenditures for testing totaling \$3,223,513. We noted one invoice charged to HAVA Election Security Grant funds totaling \$47,753 that appears to be outside of the stated purpose of the award per the terms and conditions of the award. The invoice was for a mailing notifying individuals that the Department of Elections had determined that there was an unauthorized data exposure from the Online Voter Registration System.

As stated in the Notice of Grant Award, the purpose of the HAVA Election Security Grant funding was to “improve the administration of elections for Federal office, including to enhance election technology and make election security improvements” to the systems, equipment and processes used in federal elections.

The Office states that they had communication with the Election Assistance Commission related to the unauthorized data exposure from the Online Voter Registration System. The Office’s position is that the expenditure is allowable under the communication category of cyber security which is within the purposes of the HAVA Election Security Grant. The Election Assistance Commission has no documented correspondence approving the expenditure.

The audit noted \$47,753 of questioned costs which were determined to be outside of the stated purpose of the award per the terms and conditions.

### **Recommendation**

We recommend that the EAC require the Office to:

1. Transfer \$47,753 into the election fund for the unallowable expenditure noted.

2. Implement procedures and training to ensure that expenditures of HAVA Election Security Grant funds are in line with the stated purpose of the award.

**Office of the Lieutenant Governor of Alaska’s Response:**

With respect to Finding No. 1 we accept the finding, however, respectfully disagree that the identified expenditure was outside the scope of allowable uses. The purpose of the grant award is to “improve the administration of elections for Federal office, including to enhance election technology and make election security improvements”.

The cyber security event at issue affected the security of the voter registration system. The actors were, at the time, using the information they obtained as part of a broader misinformation campaign in United States social media and the Division felt compelled to clearly communicate concerns that might arise over the election process. The expenditure at issue was related to communicating to citizens a way to improve the security of their information. Following the spirit of the state’s HAVA Program Narrative, we expended funds for the notification letter to combat any misinformation that might have evolved from this event.

Since receiving the draft report in June 2023, the Division has developed a policy and procedure specific to seeking advance approval before expending grant funds for grant administration staff to follow. Training and implementation of the procedures will be complete by July 2023.

**Auditor’s Response:**

In EAC’s response (See Appendix A-2), they agreed that the costs questioned in this finding are unallowable. They will ensure the funds are returned, or other allowable costs will be substituted. The corrective action proposed by the Office to address recommendation 2, if implemented should be sufficient to prevent future findings.

**Finding No. 2 – Errors in Reporting of Expenditures on the SEFA**

The June 30, 2019, 2020 and 2021 Schedule of Expenditures of Federal Awards (SEFA) for the State of Alaska reported expenditures which differed from the amounts reported in the State of Alaska’s financial management system as follows:

	<u>June 30, 2019</u>	<u>June 30, 2020</u>	<u>June 30, 2021</u>
SEFA HAVA Expenditures	\$ 781,787	\$ 3,325,731	\$ 3,195,560
Financial Management System	<u>932,864</u>	<u>3,753,328</u>	<u>4,464,185</u>
Variance	<u>\$ (151,077)</u>	<u>\$ (427,597)</u>	<u>\$ (1,268,625)</u>

The Uniform Guidance at 2 CFR 200.302(b) states that, “The financial management system of each non-Federal entity must provide for the following: (1) Identification, in its accounts, of all Federal awards received and expended and the Federal programs under which they were received. Federal program and Federal award identification must include, as applicable, the Assistance Listings title and number, Federal award identification number and year, name of the Federal agency, and name of the pass-through entity, if any.”

The Office prepares the financial information which is used in the SEFA. The Office made errors when preparing this information in State Fiscal Year 2019, 2020 and 2021. Per the Office, the cause of the errors were omitting an appropriation in State Fiscal Years 2019, 2020 and 2021 and omitting portions of the state fiscal year from the financial information in State Fiscal Years 2020 and 2021. This issue was also identified as 2021-013 in the 2021 State of Alaska Single Audit.

Proper identification of all federal awards expenditures increases the likelihood that the entity complies with the requirements of that program.

### **Recommendation**

3. We recommend that the EAC track the resolution of finding 2021-013 in the 2021 State of Alaska Single Audit.

### **Office of the Lieutenant Governor of Alaska’s Response:**

With respect to Finding No. 2 we concur there was an error in the information reported to the Alaska state auditor for use in the Schedule of Expenditures of Federal Awards (SEFA). Additional processes have already been developed to prevent this from reoccurring. In the future, the Administrative Services fiscal staff and Elections grant staff will jointly review reports prior to submission.

### **Auditor’s Response:**

The proposed corrective action, if implemented, would be sufficient to prevent future findings.

The Office responded on July 18, 2023, and disagreed with Finding No. 1 and agreed with Finding No. 2. The EAC responded on July 19, 2023, and stated they will work with the Office of the Lieutenant Governor of Alaska 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 September 14, 2022, and May 24, 2023.

*McBride, Lock & Associates, LLC*

McBride, Lock & Associates, LLC  
Kansas City, Missouri  
May 24, 2023

**APPENDIX A-1**

**Response of the  
Office of the Lieutenant Governor of Alaska  
to the Draft Report**

Director's Office  
240 Main Street Suite 400  
P.O. Box 110017  
Juneau, Alaska 99811-0017  
☎ 907-465-4611 📠 907-465-3203  
elections@alaska.gov



Elections Offices 📞  
Absentee-Petition 907-270-2700  
Anchorage 907-522-8683  
Fairbanks 907-451-2835  
Juneau 907-465-3021  
Nome 907-443-5285  
Mat-Su 907-373-8952

STATE OF ALASKA  
Division of Elections  
Office of the Lieutenant Governor

July 18, 2023

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

Dear Inspector General Schletz,

On behalf of the Lt. Governor's Office, the Division of Elections values the opportunity to review and respond to the Office of the Inspector General's audit report of Help America Vote Act (HAVA) grants awarded to the State of Alaska. Our agency welcomed the calm expertise of McBride, Lock & Associates, LLC, while navigating the Division through the process. We are pleased the two findings are minor and appreciate the discussion about recommended resolutions.

**Finding No. 1 (Election Security Grant Unallowable Costs)**

With respect to Finding No. 1 we accept the finding, however, respectfully disagree that the identified expenditure was outside the scope of allowable uses. The purpose of the grant award is to "improve the administration of elections for Federal office, including to enhance election technology and make election security improvements".

The cyber security event at issue affected the security of the voter registration system. The actors were, at the time, using the information they obtained as part of a broader misinformation campaign in United States social media and the Division felt compelled to clearly communicate concerns that might arise over the election process. The expenditure at issue was related to communicating to citizens a way to improve the security of their information. Following the spirit of the state's HAVA Program Narrative, we expended funds for the notification letter to combat any misinformation that might have evolved from this event.

Since receiving the draft report in June 2023, the Division has developed a policy and procedure specific to seeking advance approval before expending grant funds for grant administration staff to follow. Training and implementation of the procedures will be complete by July 2023.

**Finding No. 2 (Errors in Reporting of Expenditures on the SEFA)**

With respect to Finding No. 2 we concur there was an error in the information reported to the Alaska state auditor for use in the Schedule of Expenditures of Federal Awards (SEFA). Additional processes have already been developed to prevent this from reoccurring. In the future, the Administrative Services fiscal staff and Elections grant staff will jointly review reports prior to submission.

The Division's Administrative Officer has been directed to report the resolution of this finding to the EAC Grants Office once completed.

Sincerely,

A handwritten signature in blue ink, appearing to read "Carol Beecher".

Carol Beecher, Director  
Alaska Division of Elections

**APPENDIX A-2**

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



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

TO: Brianna Schletz, Inspector General

FROM: Kinza Ghaznavi  
Grants Manager

*Kinza Ghaznavi*

DATE: July 19, 2023

RE: Response to Draft Audit Report of Grants Awarded to the Alaska Office of the Lieutenant Governor, OIG Report G22AK0020-22-0X

This is the EAC's response to the Office of Inspector General (OIG) draft audit of HAVA funds awarded to the Alaska Office of the Lieutenant Governor (the Office) and serves as the EAC's management decision. The scope of the audit included HAVA Section 251, 101 Election Security, and 101 CARES grants. We are pleased to note that the findings were minimal and are following up with the Office on the recommendations. The EAC agrees with the recommendations and describes our management decisions related to each one below.

**Finding and Recommendation #1, Unallowable Costs:** The auditors questioned \$47,753 in costs expended by the Office as unallowable because they viewed the costs as outside of the stated purpose of the Election Security grant per the terms and conditions of the award. The funds were used to pay for a mailing that notified individuals that the Department of Elections had determined there was an unauthorized data exposure from the Online Voter Registration System. The auditors recommend that the EAC require the Office to:

1. Transfer \$47,753 into the election fund for the unallowable expenditure noted.
2. Implement procedures and training to ensure that expenditures of HAVA Election Security Grant funds are in line with the stated purpose of the award.

**Management Decision:** The EAC reviewed the questioned costs and the justification provided by the Office and agrees with the auditors that the costs are not allowed. Section 101 of HAVA describes allowable use of funding. The costs of a mailing notifying individuals of a data breach of the statewide voter registration systems do not improve the administration of federal elections or otherwise qualify under one of the categories described under HAVA section 101. The funds will be returned, or other allowable costs can be found. The Office has drafted a policy and procedure for seeking approval for grant expenditures. The EAC will review the Office's planned actions and determine if they are sufficient to ensure Election Security expenditures are in line with the stated purpose of the grant.



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

**Finding and Recommendation #2, SEFA Reporting:** The auditors found that the expenditure amounts reported in the 2019, 2020, and 2021 Schedule of Expenditures of Federal Awards (SEFA) differed from the amounts reported in the State of Alaska's financial management system. The auditors recommend that the EAC track the resolution of the same finding (2021-013) in the 2021 State of Alaska Single Audit.

**Management Decision:** The Office has implemented new procedures to ensure the error will not occur in the future. The EAC will review the Office's new procedures and track the resolution of the State of Alaska Single Audit.

The EAC expects to review the actions and documentation provided by the state by September 15, 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
<b>Control Environment</b>			
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
<b>Risk Assessment</b>			
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
<b>Control Activities</b>			
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
<b>Information and Communication</b>			
13 Uses relevant information	Yes	No	No
14 Communicates internally	Yes	No	No
15 Communicates externally	Yes	Yes	No
<b>Monitoring</b>			
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.

The Information and Communication principles of Use Relevant Information, Communicate Internally and Communicate Externally were deemed to be significant to our determination of the awardee’s compliance with the federal financial reporting portion of this objective. These principles address the relevance of the information, the internal communication processes used to compile the data necessary to meet the state’s reporting objectives, and the external communication processes used to report financial information.

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 regional offices 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 interest income was properly accounted for and not remitted to the State's general fund.

**ELECTION SECURITY EXPENDITURES BY BUDGET CATEGORY AND PROGRAM CATEGORY  
JULY 13, 2018 TO MARCH 31, 2022**

<b>Budget Categories</b>	<b>Program Categories</b>						<b>Total</b>
	<b>Voting Equipment</b>	<b>Voter Registration Systems</b>	<b>Cyber Security</b>	<b>Communications</b>	<b>Election Security Training</b>	<b>Coronavirus Mitigation</b>	
Personnel (Including Fringe)	\$ 17,625	\$ -	\$ 272,328	\$ 91,984	\$ -	\$ -	\$ 381,937
Equipment	2,625,712	-	1,170	-	-	-	2,626,882
Training	37,343	801	3,068	-	-	-	41,212
Contractual	984,261	85,443	114	99,548	12,208	-	1,181,574
All Other Costs	216,325	-	11,904	218	-	15,566	244,013
<b>Total Direct Costs</b>	<b>\$ 3,881,266</b>	<b>\$ 86,244</b>	<b>\$ 288,584</b>	<b>\$ 191,750</b>	<b>\$ 12,208</b>	<b>\$ 15,566</b>	<b>\$ 4,475,618</b>
Indirect Costs (if applied)	-	-	-	-	-	-	-
<b>Total Federal Expenditures</b>	<b>\$ 3,881,266</b>	<b>\$ 86,244</b>	<b>\$ 288,584</b>	<b>\$ 191,750</b>	<b>\$ 12,208</b>	<b>\$ 15,566</b>	<b>\$ 4,475,618</b>
Non-Federal Match	204,277	4,539	15,189	10,092	643	819	235,559
<b>Total Program Expenditures</b>	<b>\$ 4,085,543</b>	<b>\$ 90,783</b>	<b>\$ 303,773</b>	<b>\$ 201,842</b>	<b>\$ 12,851</b>	<b>\$ 16,385</b>	<b>\$ 4,711,177</b>

**SECTION 251 REISSUED EXPENDITURES BY SPENDING CATEGORY  
OCTOBER 1, 2018 TO MARCH 31, 2022 AND  
SECTION 101 REISSUED EXPENDITURES BY SPENDING CATEGORY  
OCTOBER 1, 2018 TO SEPTEMBER 30, 2020**

<u>Spending Category</u>	<u>Section 251</u>	<u>Section 101</u>
Language Assistance	559,294	240,066
Election Official Training	35,836	-
Absentee & Petition Office	251,587	48,943
Wassile (Satellite) Office	464,763	29,561
SSN Requirements/AAMVA	13,712	2,256
Interpreter/Translations	325	-
Voter Registration System	979,723	-
Total Direct Costs	<u>\$ 2,305,240</u>	<u>\$ 320,826</u>
Total Program Expenditures	<u><u>\$ 2,305,240</u></u>	<u><u>\$ 320,826</u></u>

**CARES ACT EXPENDITURES BY COST CATEGORY  
APRIL 20, 2020 TO MARCH 31, 2021**

<b>Cost Categories</b>	<b>Expenditure Type</b>		<b>Total</b>
	Federal	Match	
Voting Processes	\$ 768,606	\$ 180,029	\$ 948,635
Staffing	906,771	181,674	1,088,445
Security and Training	20,945	5,125	26,070
Communications	96,599	24,150	120,749
Supplies	574,072	82,877	656,949
Total CARES Expenditures	<u>\$ 2,366,993</u>	<u>\$ 473,855</u>	<u>\$ 2,840,848</u>

**MONETARY IMPACT AS OF MARCH 31, 2022 FOR ELECTION SECURITY AND SECTION 251 REISSUED, AS OF SEPTEMBER 30, 2020 FOR SECTION 101 REISSUED AND AS OF MARCH 31, 2021 FOR CARES ACT GRANT**

<u>Description</u>	<u>Questioned Costs</u>	<u>Unsupported Costs</u>	<u>Additional Funds for Program</u>
Election Security	\$ 47,753	\$ -	\$ -
Total	<u>\$ 47,753</u>	<u>\$ -</u>	<u>\$ -</u>



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Office of Inspector General  
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