

OFFICE OF INSPECTOR GENERAL

U.S. Election Assistance Commission

AUDIT OF THE HELP AMERICA VOTE ACT

GRANTS AWARDED TO THE STATE OF WISCONSIN

Report No. G22WI0024-23-09
September 27, 2023



HIGHLIGHTS

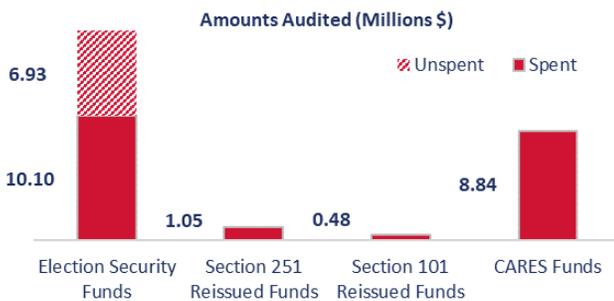
AUDIT OF THE HELP AMERICA VOTE ACT GRANTS AWARDED TO THE STATE OF WISCONSIN

Report No. G22WI0024-23-09

September 27, 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 Wisconsin under the Help America Vote Act (HAVA), including state matching funds and interest earned, totaling \$27.4 million. This included Election Security, reissued Section 251, reissued Section 101, and Coronavirus Aid, Relief, and Economic Security (CARES) Act grants.



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

- (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 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.

What OIG Found

OIG found that the State of Wisconsin Elections Commission 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) two subrecipients did not provide support for expenditures until after audit fieldwork was complete; and (2) the monitoring of subrecipients' property records was not sufficient, resulting in three subrecipients that did not provide auditors with requested documentation until after audit fieldwork was complete.

What OIG Recommended

OIG made three recommendations to improve grant administration:

- 1 Implement procedures and training to ensure that subrecipients are maintaining the required documentation to support allowability.
- 2 Implement procedures to ensure that all subrecipients are properly monitored in accordance with federal statutes and the terms and conditions of the subaward.
- 3 Ensure all property purchased with federal funds is placed on a compliant property record.



OFFICE OF INSPECTOR GENERAL

U.S. Election Assistance Commission

DATE: September 27, 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 Wisconsin
(Report No. G22WI0024-23-09)

This memorandum transmits the final report on Help America Vote Act grants awarded to the state of Wisconsin. 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.

The report contains three recommendations. After reviewing information that you provided in response to the draft report, we consider one of the recommendations closed upon report issuance. Please keep us informed of the actions taken to address Recommendations 2 and 3, 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

Certified Public Accountants

Established 1980

Performance Audit Report

**Administration of Payments Received Under the Help America Vote Act by
the Wisconsin Elections Commission**

Prepared for

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

By

McBride, Lock & Associates, LLC

July 2023

4151 N. Mulberry Drive, Suite 275 p. 816-221-4559
Kansas City, Missouri 64116 f. 816-221-4563

admin@mbridelock.com
www.mbridelock.com

**Performance Audit Report
Administration of Payments Received Under the Help America Vote Act by
the Wisconsin Elections Commission**

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

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 administration of payments received under the Help America Vote Act (HAVA or the Act) by the Wisconsin Elections Commission (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 May 31, 2018 through March 31, 2022; Section 251 Reissued administration from inception on October 1, 2018 through September 30, 2019; Section 101 Reissued administration from inception on October 1, 2018 through September 30, 2019; CARES Act administration from inception on May 6, 2020 through closeout at 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; 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 fieldwork, two of the 40 subawards selected for testing (\$33,586 of \$2,025,904) were determined to have some costs that were unsupported. The subawards were made to counties and municipalities with the subrecipients being required to submit a financial status report supporting their expenditures.

In both instances, the subrecipients did not have support of some of their reported expenditures. The City of Wauwatosa reported \$64,451 of CARES expenditures (\$36,454 of federal expenditures and \$27,997 of matching expenditures), but provided invoices supporting \$36,565 of expenditures. Oconto County reported \$40,837 of Election Security expenditures but did not provide supporting documentation for a line item totaling \$5,700. After fieldwork was completed, the Office provided documentation from the City of Wauwatosa and Oconto County to support the reported expenditures.

2. The Office's monitoring of subrecipients did not ensure that subrecipient property records were maintained in compliance with 2 CFR 200. During fieldwork, six subrecipients were determined to have made equipment purchases totaling \$85,817, which included items in excess of \$5,000 and were selected for observation of equipment. Of the six subrecipients, two (Iron County and Village of Howard) inventory listings did not comply with 2 CFR 200.313(d)(1). The Village of Shorewood did not provide an inventory listing or evidence of the physical existence of the asset. After fieldwork was completed, the Office provided additional information from Iron County and Village of Howard and evidence from the Village of Shorewood of physical existence of the asset.

We have included in this report as Appendix A the Wisconsin Elections Commission'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 Wisconsin Elections Commission

The HAVA funds were awarded to the Wisconsin Elections Commission. The Wisconsin Elections Commission (WEC) was established in 2016 by the Wisconsin Legislature to carry out a wide range of functions related to statewide elections administration. Elections in Wisconsin are conducted by more than 1,800 local clerks at the town, village, city, and county levels. The WEC serves as a resource for local clerks by providing them with education, training, and support materials. The agency also fulfills several statewide election responsibilities, such as helping ensure compliance with Federal and state election laws, ensuring election accuracy, and maintaining the statewide voter registration database. The WEC is governed by six Commissioners, with three Commissioners representing the Democratic Party and three representing the Republican Party. Two of the Democrats and two of the Republicans are selected by their respective Legislative leadership. One Democrat and one Republican must be former municipal or county clerks and are appointed by the governor and confirmed by the Senate.

Help America Vote Act Wisconsin Elections Commission State Plans

The Wisconsin Elections Commission’s HAVA budget narratives were prepared by the Administrator of the Wisconsin Elections Commission.

Election Security 2018 and 2020

The 2018 project funded by HAVA, as set forth in the budget letter, is to be spent in two phases. Phase one is hiring additional staff to implement security measures, purchase security software solutions, and training municipal and county clerks. Phase two is to collect feedback on needs at the local level and determine the best use of funds in preparation for the 2019 and 2020 elections.

The objectives of the 2020 project funded by HAVA, as set forth in the budget letter, is to distribute a county subgrant program and a municipal election security subgrant.

Section 251 Reissued

On November 7, 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 state match was carried forward. The funds were to be spent in accordance with Section 251.

Section 101 Reissued

On November 7, 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 income was carried forward. The funds were to be spent in accordance with Section 101.

CARES Act

The objectives of the 2020 CARES Act project funded by HAVA, as set forth in the budget letter, is to use the funds to prevent, prepare for, and respond to coronavirus domestically or internationally, for the 2020 Federal election cycle. The state planned to procure and distribute sanitation supplies to municipalities, provide absentee ballot envelopes, develop the statewide voter registration system and online absentee ballot request portal to incorporate intelligent barcodes, increase system capacities, print absentee envelopes and ballots as well as postage.

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 May 31, 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 September 30, 2019. We audited the Section 101 grant funds reissued to and disbursed by the Office from October 1, 2018 through September 30, 2019. 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	Section 251 Reissued	Section 101 Reissued	CARES Act
Funds Received from EAC	\$ 14,828,442	\$ -	\$ -	\$ 7,362,345
State Matching Funds	1,918,941	852,327	-	1,472,469
Program Income	-	190,430	-	-
Interest Income	284,742	4,479	475,255	4,084
Total Funds	\$ 17,032,125	\$ 1,047,236	\$ 475,255	\$ 8,838,898
Less Disbursements	(10,097,949)	(1,047,236)	(475,255)	(8,838,898)
Fund Balance	<u>\$ 6,934,176</u>	<u>\$ -</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 – Subrecipient Monitoring - Delays in Providing Support for Costs

During fieldwork, two of the 40 subawards selected for testing (\$33,586 of \$2,025,904) were determined to have some costs that were unsupported. The subawards were made to counties and municipalities with the subrecipients being required to submit a financial status report supporting their expenditures.

In both instances, the subrecipients did not have support of some of their reported expenditures. The City of Wauwatosa reported \$64,451 of CARES expenditures (\$36,454 of federal expenditures and \$27,997 of matching expenditures), but provided invoices supporting \$36,565 of expenditures. Oconto County reported \$40,837 of Election Security expenditures but did not provide supporting documentation for a line item totaling \$5,700. After fieldwork was completed, the Office provided documentation from the City of Wauwatosa and Oconto County to support the reported expenditures.

The Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) at 2 CFR 200.332(d) states that all pass-through entities must: “Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved.”

The 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.”

Further, Section II of the 2020 HAVA Coronavirus Aid, Relief and Economic Security (CARES) Subgrant Program Agreement and Section II.C. of the 2020 County Election Security Subgrant signed by the subrecipients required that all documentation of purchases made using subgrant funds be maintained until December 31, 2024 and ten years from the date of the expenditure, respectively.

The Office had a requirement in place for the subrecipients to maintain proper documentation but did not monitor the process adequately to ensure that documentation was maintained, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward.

Proper documentation of purchases ensures that expenses charged to Federal awards are allowable, allocable and reasonable.

Recommendation

We recommend that the EAC require the Office to:

1. Implement procedures and training to ensure that subrecipients are maintaining the required documentation to support allowability.

Wisconsin Elections Commission's Response:

This audit shows the Wisconsin Elections Commission (WEC) did an excellent job accounting for and expending grant funds in accordance with the Help America Vote Act (HAVA) and 2 CFR 200. The WEC provides training for subrecipients prior to issuing subgrant awards. All subgrantees are required to sign a Memorandum of Understanding or subgrant agreement prior to issuance stating they will comply with the federal statutes, regulations, and terms and conditions of the subaward, including proper retention of supporting documentation. The WEC requires subgrantees to provide documentation, expenditure reports, and/or signed documents certifying that they have complied with all terms of the subgrant and 2 CFR 200. Wisconsin's highly decentralized election system presents the WEC with the unique challenge of monitoring as many as 1,850 city, town, and village clerks and 72 county clerks to ensure all subrecipients are maintaining the required documentation agreed upon prior to issuance of the subaward and reiterated in each subgrant award letter. All subgrant expenditures audited had the required documentation to support allowability, though some documents were provided after the audit close rather than during the audit fieldwork. During the auditor's fieldwork he did not specify to WEC a due date for the subgrantees' documentation. Further, the subgrantees all believed they had provided the necessary information. Once WEC was notified in the draft report about the initial findings, the jurisdictions with missing information were contacted and promptly provided the additional information. The WEC determined and the auditor agreed that the City of Wauwatosa and Oconto County provided supporting documentation of expenditures once they were notified the documentation was missing. The WEC is appreciative of the thorough audit and recommendation. The agency will continue to enhance our existing policies, practices, and training to continue to build on existing practices that have ensured compliance with federal and state regulations.

Auditor's Response:

We agree that overall the Office was compliant with the federal award requirements for subrecipients, other than the exceptions noted in the report. A deadline of May 24, 2023 for providing information was included in our initial request for information from the subrecipients. Subrecipients should ensure that documents are readily available for audit until the grants are closed out.

Finding No. 2 – Subrecipient Monitoring – Property Records

The Office's monitoring of subrecipients did not ensure that subrecipient property records were maintained in compliance with 2 CFR 200. During fieldwork, six subrecipients were determined to have made equipment purchases totaling \$85,817, which included items in excess of \$5,000 and were selected for observation of equipment. Of the six subrecipients, two (Iron County and Village of Howard) inventory listings did not comply with 2 CFR 200.313(d)(1). The Village of Shorewood did not provide an inventory listing or evidence of the physical existence of the asset. After fieldwork was completed, the Office provided additional information from Iron County and Village of Howard and evidence from the Village of Shorewood of physical existence of the asset.

The Uniform Guidance at 2 CFR 200.332(d) states that all pass-through entities must: “Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved.” 2 CFR 200.313(d)(1) requires that “property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the FAIN), who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.”

The Office did not perform activity monitoring sufficient to ensure that subrecipients were maintaining property records in compliance with Federal statutes and the terms and conditions of the subaward, resulting in the following:

- Iron County’s inventory listing did not include source of funding, who holds title, percentage of federal participation, location, use and condition, or disposition data. After fieldwork, Iron County provided an email with this information.
- Village of Howard’s inventory listing did not include source of funding, who holds title, or percentage of federal participation. After fieldwork, the Village of Howard provided an inventory listing with this information.
- Village of Shorewood did not provide an inventory listing.

Proper monitoring of subrecipients ensures that equipment purchased with Federal funds is being used and disposed of in accordance with Federal regulations.

Recommendation

We recommend that the EAC require the Office to:

2. Implement procedures to ensure that all subrecipients are properly monitored in accordance with Federal statutes and the terms and conditions of the subaward.
3. Ensure all property purchased with Federal funds is placed on a compliant property record.

Wisconsin Elections Commission’s Response:

This audit shows the Wisconsin Elections Commission (WEC) did an excellent job accounting for and expending grant funds in accordance with the Help America Vote Act (HAVA) and 2 CFR 200, especially given Wisconsin’s highly decentralized election system. The agency has procedures in place to ensure subrecipients are properly monitored and able to account for property purchased with federal funds. All subgrantees are required to sign a Memorandum of Understanding or subgrant agreement prior to issuance stating they will comply with the federal statutes, regulations and terms and conditions of the subaward, including proper retention of supporting documentation. During the auditor’s fieldwork he did not specify to WEC that there was a due date for the subgrantees’ documentation. Further, the subgrantees all believed they had

provided the necessary information. Once WEC was notified in the draft report about the initial findings, the jurisdictions with missing information were contacted, and promptly provided the additional information. Iron County, Village of Howard, and Village of Shorewood have provided supporting documentation of expenditures in accordance with federal statutes and are in compliance. The Village of Shorewood promptly provided evidence of the asset. The WEC is appreciative of the thorough audit and recommendations. The WEC has created a template for all subrecipients to track procured equipment and has created language in the subgrant Memorandum of Understanding and award letters that specifies the required fields for an inventory listing, ensuring continued compliance with 2 CFR 200. WEC will also continue to enhance our existing policies, practices, procedures, and training to continue to build on our trusted and thorough practices that have ensured compliance with federal and state regulations.

Auditor's Response:

We agree that overall the Office was compliant with the federal award requirements for subrecipients, other than the exceptions noted in the report. A deadline of May 24, 2023 for providing information was included in our initial request for information from the subrecipients. The information provided by the Village of Howard subsequent to the end of audit fieldwork was sufficient to resolve the condition noted. Iron County provided the information missing from its inventory listing in an email, however, this will need to be added to their inventory listing moving forward in order for the listing to be compliant. The Office's plan to implement a template for subrecipient inventory tracking, if implemented, should be sufficient to resolve the finding.

The Office responded on September 6, 2023, and generally agreed with the report's findings. The EAC responded on August 29, 2023, and stated they will work with the Wisconsin Elections Commission 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 October 13, 2022, and July 26, 2023.

(Original Signed by McBride, Lock & Associates, LLC)

McBride, Lock & Associates, LLC
Kansas City, Missouri
July 26, 2023

APPENDIX A-1

**Response of the
Wisconsin Elections Commission
to the Draft Report**



Wisconsin Elections Commission

201 West Washington Avenue | Second Floor | P.O. Box 7984 | Madison, WI 53707-7984
(608) 266-8005 | elections@wi.gov | elections.wi.gov

September 6, 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:

The six members of the Wisconsin Elections Commission (WEC) appreciate the opportunity to review and respond to the thorough and thoughtful audit of the accounting and expending of federal and state matching grant funds in accordance with the Help America Vote Act (HAVA) and 2 CFR 200. As the audit demonstrates, Wisconsin has done a remarkable job managing the use of federal and state matching funds in accordance with state and federal regulations. This is especially true given the complexities of our state's highly decentralized election system that is administered at the municipal level by a local election official in each of Wisconsin's approximately 1,850 cities, towns, and villages. WEC manages and distributes the majority of its federal funds to municipal election entities, meaning WEC has managed thousands of municipal subgrant applications and distributions during the audit review period.

This audit, which reviewed the use of \$27.4 million of federal funds, state matching funds, program income, and interest income from four separate federal grants, found no mismanagement or errors in Wisconsin's spending or accounting of funds.

We are proud the audit affirmed WEC managed federal funds properly. Furthermore, along with generally confirming that our expended funds were for authorized purposes and in compliance with Sections 101 and 251 of HAVA, this audit also demonstrated that WEC has:

- Maintained proper and effective internal control activities, including codes of ethics, policies, and procedures
- Used the funds in a manner consistent with the plans previously submitted to the U.S. Election Assistance Commission (EAC)
- Properly created and submitted accurate financial federal reports for all periods audited
- Accurately accumulated, tracked, and disclosed interest income and program income
- Produced all necessary supporting documentation for every expenditure audited
- Created and applied a thorough timekeeping system
- Documented all payroll costs properly
- Accounted for all property purchased
- Thoroughly and accurately reconciled all grants
- Appropriately reviewed annual single audit reports
- Properly applied the indirect cost rate allocation
- Followed proper closeout procedures.

Wisconsin Elections Commissioners

Don M. Millis, chair | Marge Bostelmann | Joseph J. Czarneski | Ann S. Jacobs | Robert Spindell | Mark L. Thomsen

Administrator
Meagan Wolfe

The EAC federal audit process has helped to make our procedures for managing federal grants even better. While all jurisdictions were ultimately able to provide the required inventory information, the audit has led the WEC to improve subgrant training procedures by providing local election officials with an inventory template, including all the columns required for federal compliance, to ensure consistent practices and better maintenance of their equipment information. WEC has also built on existing training to local election officials to now ensure that they better understand document retention requirements. While there were no jurisdictions identified as being non-compliant, this audit has also helped WEC develop additional risk assessment, risk management and audit practices for our current and future subgrants.

The WEC is proud of the results of this audit, which has shown that the capable and dedicated elections staff at the state and local level are diligent with their use of federal money in support of secure elections.

Our staff will continue to ensure that HAVA funds are safeguarded and used to further enhance elections in our great state of Wisconsin.

Sincerely,

The Wisconsin Elections Commission

Don Millis, Chair
Robert Spindell, Vice Chair
Joseph J. Czarnecki, Secretary
Ann S. Jacobs
Mark Thomsen
Marge Bostelmann
Meagan Wolfe, Administrator and Chief Election Official

AUDIT RESPONSES TO BE INCLUDED IN THE TEXT OF THE REPORT

Audit Recommendation #1

We recommend that the EAC require the Office to:

1. Implement procedures and training to ensure that subrecipients are maintaining the required documentation to support allowability.

Wisconsin Elections Commission's Response:

This audit shows the Wisconsin Elections Commission (WEC) did an excellent job accounting for and expending grant funds in accordance with the Help America Vote Act (HAVA) and 2 CFR 200. The WEC provides training for subrecipients prior to issuing subgrant awards. All subgrantees are required to sign a Memorandum of Understanding or subgrant agreement prior to issuance stating they will comply with the federal statutes, regulations, and terms and conditions of the subaward, including proper retention of supporting documentation. The WEC requires subgrantees to provide documentation, expenditure reports, and/or signed documents certifying that they have complied with all terms of the subgrant and 2 CFR 200. Wisconsin's highly decentralized election system presents the WEC with the unique challenge of monitoring as many as 1,850 city, town, and village clerks and 72 county clerks to ensure all subrecipients are maintaining the required documentation agreed upon prior to issuance of the subaward and reiterated in each subgrant award letter. All subgrant expenditures audited had the required documentation to support allowability, though some documents were provided after the audit close rather than during the audit fieldwork. During the auditor's fieldwork he did not specify to WEC a due date for the subgrantees' documentation. Further, the subgrantees all believed they had provided the necessary information. Once WEC was notified in the draft report about the initial findings, the jurisdictions with missing information were contacted and promptly provided the additional information. The WEC determined and the auditor agreed that the City of Wauwatosa and Oconto County provided supporting documentation of expenditures once they were notified the documentation was missing. The WEC is appreciative of the thorough audit and recommendation. The agency will continue to enhance our existing policies, practices, and training to continue to build on existing practices that have ensured compliance with federal and state regulations.

Audit Recommendation #2

We recommend that the EAC require the Office to:

1. Implement procedures to ensure that all subrecipients are properly monitored in accordance with federal statutes and the terms and conditions of the subaward.

Wisconsin Elections Commission's Response:

This audit shows the Wisconsin Elections Commission (WEC) did an excellent job accounting for and expending grant funds in accordance with the Help America Vote Act (HAVA) and 2 CFR 200, especially given Wisconsin's highly decentralized election system. The agency has procedures in place to ensure subrecipients are properly monitored and able to account for property purchased with federal funds. All subgrantees are required to sign a Memorandum of Understanding or subgrant agreement prior to issuance stating they will comply with the federal statutes, regulations and terms and conditions of the subaward, including proper retention of supporting documentation. During the auditor's fieldwork he did not specify to WEC that there was a due date for the subgrantees' documentation. Further, the subgrantees all

believed they had provided the necessary information. Once WEC was notified in the draft report about the initial findings, the jurisdictions with missing information were contacted, and promptly provided the additional information. Iron County, Village of Howard, and Village of Shorewood have provided supporting documentation of expenditures in accordance with federal statutes and are in compliance. The Village of Shorewood promptly provided evidence of the asset. The WEC is appreciative of the thorough audit and recommendations. The WEC has created a template for all subrecipients to track procured equipment and has created language in the subgrant Memorandum of Understanding and award letters that specifies the required fields for an inventory listing, ensuring continued compliance with 2 CFR 200. WEC will also continue to enhance our existing policies, practices, procedures, and training to continue to build on our trusted and thorough practices that have ensured compliance with federal and state regulations.

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: Risa Garza
Interim Grants Director

Risa Garza

DATE: August 29, 2023

RE: Response to Draft Audit Report of Grants Awarded to the Wisconsin Elections Commission, OIG Report G22WI0024-23-XX

This is the U.S. Election Assistance Commission (EAC)'s response to the Office of Inspector General (OIG) draft audit of Help America Vote Act (HAVA) funds awarded to the Wisconsin Elections Commission (the Office) and serves as the EAC's management decision. The scope of the audit included HAVA Section 251, 101 Election Security, and CARES grants. This is the EAC's management decision on the two findings from the audit. Corrective action is pending on Finding #2 and complete on Finding #1.

Finding No. 1 – Subrecipient Monitoring - Delays in Providing Support for Costs: During fieldwork, two of the 40 subawards selected for testing (\$33,586 of \$2,025,904) were determined to have some costs that were unsupported. The subawards were made to counties and municipalities with the subrecipients being required to submit a financial status report supporting their expenditures.

In both instances, the subrecipients did not have support of their reported expenditures. The City of Wauwatosa reported \$64,451 of CARES expenditures (\$36,454 of federal expenditures and \$27,997 of matching expenditures), but provided invoices supporting \$36,565 of expenditures. Oconto County reported \$40,837 of Election Security expenditures but did not provide supporting documentation for a line item totaling \$5,700. After fieldwork was completed, the Office provided documentation from the City of Wauwatosa and Oconto County to support the reported expenditures.

The auditors recommend that the EAC require the Office to:

1. Implement procedures and training to ensure that subrecipients are maintaining the required documentation to support allowability.

Management Decision: The EAC reviewed the questioned costs and the justification provided by the Office and has the following determinations for this finding.

After meeting with the Wisconsin Elections Commission (WEC), and reviewing the relevant policies and procedures provided by the Office and supporting cost



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

documentation provided by the City and County, the EAC has determined that these costs are allowable and fully supported. Documentation from the WEC confirms they have significant policies and training in place to ensure that records are kept for the required period. EAC considers this finding closed.

Finding No. 2 – Subrecipient Monitoring – Property Records: The Office’s monitoring of subrecipients did not ensure that subrecipient property records were maintained in compliance with 2 CFR 200. During fieldwork, six subrecipients were determined to have made equipment purchases totaling \$85,817, which included items in excess of \$5,000 and were selected for observation of equipment. Of the six subrecipients, two (Iron County and Village of Howard) inventory listings did not comply with 2 CFR 200.313(d)(1). The Village of Shorewood did not provide an inventory listing or evidence of the physical existence of the asset. After fieldwork was completed, the Office provided additional information from Iron County and Village of Howard and evidence from the Village of Shorewood of physical existence of the asset.

The auditors recommend that the EAC require the Office to:

1. Implement procedures to ensure that all subrecipients are properly monitored in accordance with Federal statutes and the terms and conditions of the subaward.
2. Ensure all property purchased with Federal funds is placed on a compliant property record.

Management Decision: The EAC agrees that sufficient subrecipient monitoring was not performed to ensure all inventories satisfy the standards of 2 CFR 200.313(d)(1) and are available immediately upon request. The Office has developed updated policies and procedures to ensure federal standards for property records and monitoring are met.

The EAC has reviewed the draft inventory and monitoring policies and expects to see the finalized versions fully implemented by September 30, 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 Office’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 and external communication processes used to compile the data necessary to meet the Office’s reporting objectives.

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 Office communicated with and relied on information from the counties and municipalities 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 Office'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
MAY 31, 2018 TO MARCH 31, 2022**

Budget Categories	Program Categories						Total
	Voting Equipment	Election Auditing	Voter Registration Systems	Cyber Security	Communications	Administration	
Personnel (Including Fringe)	\$ 108,541	\$ -	\$ 288,458	\$ 148,008	\$ 42,103	\$ 268,527	\$ 855,637
Equipment	-	-	117,316	8,578	-	-	125,894
Subgrants	-	-	329	4,204,028	9,532	-	4,213,889
Training	3,384	-	-	1,812	3,830	-	9,026
All Other Costs	123,430	9,299	863,821	1,201,357	359,605	417,050	2,974,562
Total Direct Costs	\$ 235,355	\$ 9,299	\$1,269,924	\$5,563,783	\$ 415,070	\$ 685,577	\$ 8,179,008
Indirect Costs (if applied)	-	-	-	-	-	-	-
Total Federal Expenditures	\$ 235,355	\$ 9,299	\$1,269,924	\$5,563,783	\$ 415,070	\$ 685,577	\$ 8,179,008
Non-Federal Match	100,011	76,897	1,677,479	27,165	18,636	18,753	1,918,941
Total Program Expenditures	\$ 335,366	\$86,196	\$2,947,403	\$5,590,948	\$ 433,706	\$ 704,330	\$10,097,949

NOTE: Subgrants consists of awards to 917 different counties and municipalities, therefore, no separate schedule by individual subaward has been provided.

**SECTION 251 AND SECTION 101 REISSUED EXPENDITURES BY SPENDING CATEGORY
OCTOBER 1, 2018 TO SEPTEMBER 30, 2019**

<u>Spending Category</u>	<u>Section 251</u>	<u>Section 101</u>
Voter Registration System	<u>1,047,236</u>	<u>475,255</u>
Total Direct Costs	\$ 1,047,236	\$ 475,255
Total Program Expenditures	<u>\$ 1,047,236</u>	<u>\$ 475,255</u>

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

Cost Categories	Expenditure Type		Total
	Federal	Match	
Voting Processes	\$ 2,927,707	\$ 173,837	\$ 3,101,544
Staffing	843,338	289,140	1,132,478
Security and Training	-	-	-
Communications	2,460,142	44,330	2,504,472
Supplies	527,185	25,755	552,940
Indirect Costs	608,057	-	608,057
Subgrantee's Reported Overspend	-	939,407	939,407
Total CARES Expenditures	\$ 7,366,429	\$ 1,472,469	\$ 8,838,898

MONETARY IMPACT AS OF MARCH 31, 2022 FOR ELECTION SECURITY, AS OF SEPTEMBER 30, 2019 FOR SECTION 251 AND SECTION 101 REISSUED, AND AS OF DECEMBER 31, 2020 FOR CARES ACT GRANT

Description	Questioned Costs	Unsupported Costs	Additional Funds for Program
None	\$ -	\$ -	\$ -
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



Visit our website at eac.gov/inspector-general

U.S. Election Assistance Commission
Office of Inspector General
633 3rd Street, NW, Second Floor
Washington, DC 20001

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