

# OFFICE OF INSPECTOR GENERAL

U.S. Election Assistance Commission

## AUDIT OF INTEREST INCOME EARNED ON HAVA FUNDS

Report No. G23HQ0027-24-07  
April 15, 2024



# HIGHLIGHTS

## AUDIT OF INTEREST INCOME EARNED ON HAVA FUNDS

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### What OIG Audited

The Help America Vote Act of 2002 (HAVA) required states to establish an interest-earning election fund, in to which grant funds are deposited and maintained. OIG, through the independent public accounting firm of McBride, Lock & Associates, LLC, audited compliance with these requirements. The audit included open Election Security and Section 251 grants at 34 states and territories, as of September 30, 2022.

The **objectives** of the audit were to:

- (1) Determine whether selected grantees complied with applicable requirements for interest earned on HAVA funds.
- (2) Identify challenges and best practices that impact grantees ability to comply with applicable requirements for interest earned on HAVA funds.

### Best Practices

OIG determined that 16 of the 34 selected grantees complied with interest requirements: Arkansas, Colorado, District of Columbia, Idaho, Illinois, Maryland, Massachusetts, Montana, Nebraska, Nevada, New York, North Dakota, Oklahoma, Oregon, Texas, and Virginia.

Best practices identified at these grantees include:

- Systems configured to account for grants separately.
- Grantees' periodic monitoring of investments.
- The existence of comprehensive policies and procedures for federal grant compliance.

### What OIG Found

OIG found that 18 of the 34 selected grantees were noncompliant and/or had internal control deficiencies:

- Alabama, Connecticut, Kansas, Kentucky, Louisiana, Mississippi, New Hampshire, New Mexico, South Carolina, South Dakota, Utah, Vermont, and West Virginia had variances between the interest recorded in their accounting records and what was reported to EAC.
- Alabama, Connecticut, Florida, Illinois, Kentucky, Mississippi, New Hampshire, South Carolina, and Utah did not have written policies and procedures regarding interest.
- Hawaii, Maine, Mississippi, Puerto Rico, and Utah did not deposit funds to an interest-earning account in a timely manner.
- Connecticut and Wyoming did not properly inform subgrantees about interest requirements.

Common challenges leading to findings were (1) employee turnover, (2) accounting for multiple grants in one fund, (3) delays depositing funds into interest-earning accounts, and (4) providing advances to subgrantees.

### What OIG Recommended

OIG made 19 recommendations for EAC to work with grantees to reconcile interest activity, revise reports, calculate and deposit lost interest, and implement policies, procedures, and trainings to prevent future issues. OIG also recommended that EAC strengthen its procedures for monitoring grantees' compliance.



**U.S. ELECTION ASSISTANCE COMMISSION  
OFFICE OF INSPECTOR GENERAL**

**DATE:** April 15, 2024

**TO:** U.S. Election Assistance Commission, Executive Director, Brianna Schletz

**FROM:** U.S. Election Assistance Commission, Acting Inspector General, Sarah Dreyer

**SUBJECT:** Audit of Interest Income Earned on HAVA Funds (Report No. G23HQ0027-24-07)

This memorandum transmits the final report on the *Audit of Compliance with Applicable Requirements Related to Interest Income Earned on HAVA Funds*. The Office of Inspector General contracted McBride, Lock & Associates, LLC, an independent 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 includes a recommendation that EAC strengthen its procedures for monitoring grantees’ compliance with interest income requirements. It also includes recommendations to address the compliance and internal control findings of specific grantees. OIG summarizes these recommendations as follows:

#	Recommendation
1	We recommend that EAC strengthen the procedures for monitoring grantees’ compliance with the applicable requirements for interest income earned on HAVA grant funds.
2	We recommend that EAC work with Alabama to: <ul style="list-style-type: none"><li>a. Determine an adequate allocation methodology, recalculate the interest allocations from the inception of the 2018 Election Security grant using this methodology, and correct the reporting of interest income on the September 30, 2022, and any subsequently filed, Election Security and Section 251 Federal Financial Reports.</li><li>b. Implement procedures to ensure that proper supporting documentation is maintained to support the amounts reported to EAC on the Federal Financial Reports.</li><li>c. Ensure the implementation of proper written policies and procedures regarding the calculation and reporting of interest income.</li></ul>
3	We recommend that EAC work with Connecticut to: <ul style="list-style-type: none"><li>a. Correct the interest income reported on the September 30, 2022, and any subsequently filed, Election Security Federal Financial Reports.</li><li>b. Implement procedures to ensure accurate reporting on future Federal Financial Reports and to ensure that supporting documentation is maintained to support the amounts reported to EAC on the Federal Financial Reports.</li><li>c. Ensure the implementation of proper written policies and procedures regarding the calculation and reporting of interest income.</li></ul>

#	Recommendation
	<ul style="list-style-type: none"> <li>d. Implement procedures to ensure that subgrantees are properly informed of the federal requirements related to interest income and the need for subgrantees to report interest income earned, if applicable.</li> </ul>
4	We recommend that EAC work with Florida to ensure the implementation of proper written policies and procedures regarding the calculation and reporting of interest income.
5	<p>We recommend that EAC work with Hawaii to:</p> <ul style="list-style-type: none"> <li>a. Determine the amount of any lost interest due to the delays in the earning of interest on the 2022 Election Security grant funds, and to ensure the amount is deposited into the election fund.</li> <li>b. Determine the amount of Election Security interest that was incorrectly posted to the accounting system fund for the Section 101 and Section 251 grants, move the amounts to the appropriate fund in the accounting system, and file corrected Federal Financial Reports for the September 30, 2022, and any subsequently filed, Election Security, Section 101 and Section 251 grants.</li> <li>c. Implement procedures to ensure that future EAC grants are deposited into an interest-bearing election fund on a timely basis.</li> </ul>
6	We recommend that EAC work with Illinois to ensure the implementation of proper written policies and procedures regarding the calculation and reporting of interest income.
7	<p>We recommend that EAC work with Kansas to:</p> <ul style="list-style-type: none"> <li>a. Correct the interest income reported on the September 30, 2022, and any subsequently filed, Election Security and Section 251 Federal Financial Reports.</li> <li>b. Implement procedures to ensure accurate reporting on future Federal Financial Reports.</li> </ul>
8	<p>We recommend that EAC work with Kentucky to:</p> <ul style="list-style-type: none"> <li>a. Determine that the September 30, 2022, and any subsequently filed, Election Security Federal Financial Reports are properly corrected to reflect the revised interest allocations.</li> <li>b. Ensure the implementation of proper written policies and procedures regarding the calculation and reporting of interest income.</li> </ul>
9	We recommend that EAC work with Louisiana to implement procedures to ensure that proper supporting documentation is maintained to support the amounts reported to EAC on the Federal Financial Reports.
10	<p>We recommend that EAC work with Maine to:</p> <ul style="list-style-type: none"> <li>a. Determine the amount of lost interest due to the delay in establishing the funds as interest bearing with the Treasury and ensure that the amount is deposited into the election fund.</li> <li>b. Implement procedures to ensure that the Treasury is notified in a timely manner of the need to earn interest on future HAVA grants.</li> </ul>
11	<p>We recommend that EAC work with Mississippi to:</p> <ul style="list-style-type: none"> <li>a. Correct the interest income reported on the September 30, 2022, and any subsequently filed, Election Security Federal Financial Reports.</li> <li>b. Implement procedures to ensure accurate reporting on future Federal Financial Reports and to ensure that supporting documentation is maintained to support the amounts reported to EAC on the Federal Financial Reports.</li> </ul>

#	Recommendation
	<ul style="list-style-type: none"> <li>c. Ensure the implementation of proper written policies and procedures regarding the calculation and reporting of interest income.</li> <li>d. Determine the amount of any lost interest due to the delays in the earning of interest on the 2022 Election Security grant funds, and the amount should be deposited into the election fund.</li> <li>e. Implement procedures to ensure that future EAC grants are deposited into an interest-bearing election fund on a timely basis.</li> </ul>
12	<p>We recommend that EAC work with New Hampshire to:</p> <ul style="list-style-type: none"> <li>a. Correct the interest income reported on the September 30, 2022, and any subsequently filed, Election Security and Section 251 Federal Financial Reports, including determining the proper reporting on the Section 251 Federal Financial Reports for the Voter Checklist sales.</li> <li>b. Implement procedures to ensure accurate reporting on future Federal Financial Reports.</li> <li>c. Ensure the implementation of proper written policies and procedures regarding the calculation and reporting of interest income.</li> </ul>
13	<p>We recommend that EAC work with New Mexico to:</p> <ul style="list-style-type: none"> <li>a. Correct the interest income reported on the September 30, 2022, and any subsequently filed, Election Security Federal Financial Reports.</li> <li>b. Implement procedures to ensure accurate reporting on future Federal Financial Reports.</li> </ul>
14	<p>We recommend that EAC work with Puerto Rico to ensure that interest is now being properly credited to HAVA grant funds in a timely manner and that all lost interest is properly calculated and deposited into the election fund.</p>
15	<p>We recommend that EAC work with South Carolina to:</p> <ul style="list-style-type: none"> <li>a. Develop proper allocation calculation procedures, recalculate the interest allocations from the inception of the 2018 Election Security grant using this methodology, and correct the reporting of interest income on the September 30, 2022, and any subsequently filed, Election Security and Section 251 Federal Financial Reports.</li> <li>b. Implement procedures to ensure that proper supporting documentation is maintained to support the amounts reported to EAC on the Federal Financial Reports.</li> <li>c. Ensure the implementation of proper written policies and procedures regarding the calculation and reporting of interest income.</li> </ul>
16	<p>We recommend that EAC work with South Dakota to:</p> <ul style="list-style-type: none"> <li>a. Correct the interest income reported on the September 30, 2022, and any subsequently filed, Section 251 Federal Financial Reports.</li> <li>b. Implement procedures to ensure accurate reporting on future Federal Financial Reports.</li> </ul>
17	<p>We recommend that EAC work with Utah to:</p> <ul style="list-style-type: none"> <li>a. Correct the interest income reported on the September 30, 2022, and any subsequently filed, Election Security Federal Financial Reports.</li> <li>b. Implement procedures to ensure accurate reporting on future Federal Financial Reports.</li> <li>c. Ensure the implementation of proper written policies and procedures regarding the calculation and reporting of interest income.</li> <li>d. Determine the amount of lost interest due to the delay in investing 2018 Election Security funds and ensure that the amount is deposited into the election fund.</li> <li>e. Implement procedures to ensure that the Treasury is notified in a timely manner of the need to earn interest on future HAVA grants.</li> </ul>

#	Recommendation
18	We recommend that EAC work with Vermont to: <ol style="list-style-type: none"> <li data-bbox="315 281 1427 348">a. Correct the interest income reported on the September 30, 2022, and any subsequently filed, Section 251 Federal Financial Reports.</li> <li data-bbox="315 348 1427 390">b. Implement procedures to ensure accurate reporting on future Federal Financial Reports.</li> </ol>
19	We recommend that EAC work with West Virginia to: <ol style="list-style-type: none"> <li data-bbox="315 438 1427 537">a. Determine the proper allocation of interest for September 2018 and to correct the September 30, 2022, and any subsequently filed, Election Security and Section 251 Federal Financial Reports.</li> <li data-bbox="315 537 1427 575">b. Implement procedures to ensure accurate reporting on future Federal Financial Reports.</li> </ol>
20	We recommend that EAC work with Wyoming to implement procedures to ensure that subgrantees are properly informed of the federal requirements related to interest income and the need for subgrantees to report interest income earned, if applicable.

Please keep us informed of the actions taken on these 20 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 Benjamin W. Hovland, Chair  
 Commissioner Donald L. Palmer, Vice Chair  
 Commissioner Thomas Hicks  
 Commissioner Christy McCormick

# **Performance Audit Report**

**Compliance with Applicable Requirements Related to Interest Income Earned on  
HAVA Funds**

Prepared for

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

By

**McBride, Lock & Associates, LLC**

April 2024

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**Performance Audit Report**  
**Compliance with Applicable Requirements Related to Interest Earned on HAVA**  
**Funds**

TABLE OF CONTENTS

	<u>Page</u>
EXECUTIVE SUMMARY	1
AUDIT OBJECTIVES	2
SCOPE AND METHODOLOGY	2
BACKGROUND	5
AUDIT RESULTS	
I. OVERALL CONCLUSIONS	
Challenges	6
Best Practices	7
Standard Procedures for Compliance	8
Recommendation for EAC	9
II. INDIVIDUAL GRANTEE RESULTS	
Summary of Compliance	10
Findings and Recommendations	10
APPENDICES:	
Appendix A: Response of the U.S. Election Assistance Commission to the Draft Report	
Appendix B: Audit Scope and Methodology	
Appendix C: Grantee Compliance Section	



**U.S. Election Assistance Commission  
Performance Audit Report  
Compliance with Applicable Requirements Related to Interest Earned on HAVA Funds**

**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 compliance with applicable requirements for interest earned on Help America Vote Act (HAVA or the Act) grant funds by selected states and territories (the grantees). The scope of the audit included all open Election Security and Section 251 grants as of September 30, 2022. The table on page 3 summarizes the grantees and HAVA grants that were included in the scope of the audit.

The engagement was conducted in four phases, as follow:

- I. Phase I was the audit planning phase
- II. Phase II was the survey and internal control assessment phase
- III. Phase III was the substantive compliance testing phase
- IV. Phase IV was the final reporting phase.

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 our audit objectives.

Based on the audit procedures performed, we noted the following results:

- Internal control deficiencies were noted at 13 of the 34 grantees included in the scope of the audit.
- Instances of noncompliance were noted at 17 of the 34 grantees.
- Overall, 18 out of the 34 grantees had either an internal control deficiency, instances of noncompliance, or both.

The following most common challenges to grantees ability to comply with the interest income requirements were noted:

- Employee Turnover – grantees that lacked written policies and procedures and did not maintain supporting documentation for reports submitted to EAC to ensure continuity in case of staff turnover were more likely to be noncompliant.
- Accounting for Multiple Grants – grantees that had multiple HAVA grants (Election Security, Section 101, Section 251) and did not have separate accounting for the grants in their accounting system were more likely to be noncompliant.
- Timely Deposit of Funds and/or Interest Earnings – some grantees were not familiar with the processes for depositing HAVA funds in an election fund and working with their respective Treasury departments to ensure that the funds were earning interest as required.
- Advances to Subgrantees– grantees that provided HAVA grant funds as advances to subgrantees, rather than using the reimbursement method, were more likely to be noncompliant.

The following best practices were most commonly noted amongst grantees that were in compliance with the interest income requirements:

- Separate Accounting for Grants – grantees that established separate accounting in their accounting system for each HAVA grant were more likely to be in compliance.
- Monitoring of Investments – grantees that received periodic reports of earnings from their Treasury departments or had alternative procedures in place to monitor the earnings allocated to the HAVA grant funds were more likely to be compliant.
- Written Policies and Procedures – grantees that had comprehensive written policies and procedures related to federal grant administration were more likely to be compliant.

## **AUDIT OBJECTIVES**

The specific audit objectives were as follows:

1. Determine whether selected grantees complied with applicable requirements for interest earned on HAVA funds.
2. Identify challenges and best practices that impact grantees ability to comply with applicable requirements for interest earned on HAVA funds.

In order to meet the audit objectives, the audit focused on determining whether the selected grantees had policies and procedures in place 1) to ensure the timely deposit of HAVA funds to an interest-bearing election fund as required by the HAVA; 2) for correctly calculating and recording interest earned on HAVA funds; 3) to ensure that interest is correctly reported on the Federal Financial Reports (FFRs) submitted to EAC; and 4) to ensure that funds distributed to subgrantees adhere to applicable HAVA interest requirements. Grantees are required to follow the requirements of the Act's legislation and program regulations, and the requirements set forth in *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (2 CFR 200).

## **SCOPE AND METHODOLOGY**

The audit surveyed 34 grantees that did not have currently ongoing or recent audits by the EAC Office of Inspector General. The scope of the audit's internal control phase pertained to understanding and evaluating the selected grantees internal control systems affecting their compliance with applicable requirements for interest earned on HAVA funds. The resulting information provided a basis for risk assessments as necessary to plan the focus of the substantive compliance testing. The scope of the audit's substantive testing phase pertained to testing the selected grantees compliance with applicable requirements for interest earned on HAVA funds. The resulting information provided a basis for determining compliance, identifying deficiencies and corrective actions needed, and identifying overall challenges and best practices.

The audit scope included the following EAC grants open as of September 30, 2022:

- 2018 Election Security – \$212 million under the Consolidated Appropriations Act of 2018 to improve the administration of elections for federal office.
- 2020 Election Security – \$236 million under the Consolidated Appropriations Act of 2020 to make payments to states for activities to improve the administration of elections for federal office.

- 2022 HAVA Election Security – \$41.5 million under the Consolidated Appropriations Act of 2022 to make payment to states for activities to improve the administration of elections for federal office.
- Remaining requirements payments issued under Title II, Section 251 of HAVA.

The audit did not include any remaining or reissued funds issued under Title I, Section 101 of HAVA.

### Scope of Funds Included in Audit

State/Territory	Election Security	Section 251
Alabama	Yes	Yes
Arkansas	Yes	No - closed out prior to 9/30/2022
Colorado	Yes	Yes
Connecticut	Yes	No - closed out prior to 9/30/2022
District of Columbia	Yes	No - closed out prior to 9/30/2022
Florida	Yes*	Yes*
Hawaii	Yes	Yes
Idaho	Yes	No - closed out prior to 9/30/2022
Illinois	Yes	Yes
Kansas	Yes	Yes
Kentucky	Yes	Yes
Louisiana	Yes	No - closed out prior to 9/30/2022
Maine	Yes	No - closed out prior to 9/30/2022
Maryland	Yes	No - closed out prior to 9/30/2022
Massachusetts	Yes	Yes
Mississippi	Yes	Yes
Montana	Yes	No - closed out prior to 9/30/2022
Nebraska	Yes	No - closed out prior to 9/30/2022
Nevada	Yes	No - closed out prior to 9/30/2022
New Hampshire	Yes	Yes
New Mexico	Yes	No - closed out prior to 9/30/2022
New York	Yes	Yes
North Dakota	Yes	No - closed out prior to 9/30/2022
Oklahoma	Yes	Yes
Oregon	Yes	No - closed out prior to 9/30/2022
Puerto Rico	Yes	Yes
South Carolina	Yes	Yes
South Dakota	Yes	Yes
Texas	Yes	No - closed out prior to 9/30/2022
Utah	Yes	Yes
Vermont	Yes	Yes
Virginia	Yes	No - closed out prior to 9/30/2022
West Virginia	Yes	Yes
Wyoming	Yes	No - closed out prior to 9/30/2022

\*Florida had not filed September 30, 2022 Federal Financial Reports for either grant, therefore, the audit scope included a review of internal controls only.

## **BACKGROUND**

This section of the report summarizes the requirements related to interest income earned on HAVA grant funds and prior audit findings identified.

### **Help America Vote Act (HAVA) Program**

HAVA required each state to establish an election fund to include the requirements payment made to the state under Title II of HAVA, state matching funds related to the requirements payment, other amounts as appropriated, and the interest earned on deposits of the fund. HAVA also required that any funds provided under Title I are deposited and maintained in the election fund.

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: (3) Records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining to Federal awards, authorizations, financial obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation.” 2 CFR 200.305(b)(8) states that, "The non-federal entity must maintain advance payments of Federal awards in interest-bearing accounts....”

The EAC considers interest earned to be additive to the grant and therefore must be spent on HAVA related activities. Subawards made using HAVA grants are subject to the same requirements and guidance as the primary award and therefore must be kept in interest-bearing accounts.

The EAC requires periodic reporting of activity on each separate HAVA grant by each grantee in the form of an FFR. The FFR includes separate lines for reporting cumulative amounts of total federal interest earned and expended. Interest earned on state matching funds deposited into the election fund should be reported separately from interest earned on the federal funds share. Subgrantee interest earned and expended should be added to the interest earned and expended on federal funds for FFR reporting purposes and should be detailed in the subgrant narrative section of the progress report.

### **History of Audit Findings**

The EAC Office of Inspector General reports that between 2005 and December 2022 it has issued 48 audit recommendations across 31 grantees related to interest income. The recommendations generally related to the calculation of interest and depositing interest into the election fund. 18 of the 34 grantees included in the scope of this audit had historical audit findings related to interest income in past EAC OIG audit reports.

## I. OVERALL CONCLUSIONS

This section summarizes the common themes that were noted amongst the grantees for which instances of noncompliance with the applicable requirements for interest earned on HAVA funds were noted, common practices amongst those grantees that were in compliance, and provides recommendations to the EAC to improve the overall management and oversight of grant recipients.

Our assessment determined whether each grantee complied with the applicable requirements for interest earned, including: 1) timely deposit of HAVA funds to an interest-bearing election fund; 2) correct calculation and recording of interest earned on HAVA funds; 3) correct reporting of interest earned on the FFR submitted to EAC; 4) funds distributed to subgrantees adhere to applicable HAVA interest requirements.

Section II provides a description of any instances of noncompliance that were noted and recommendations for correcting the deficiencies. Of the 34 grantees which were included in the scope of the audit, 18 had either internal control deficiencies, instances of noncompliance, or both.

### Challenges

#### Challenge #1 – Employee Turnover

The most common theme that was noted amongst the grantees with compliance issues was turnover in staff during or subsequent to the audit period. In attempting to reconcile the amounts reported on the FFRs to the amounts in the accounting records that were provided, there were several instances when variances occurred and the current auditee contacts could not explain the variances or determine the source of the amount as determined by their predecessors. The predecessor staff had not documented their procedures for FFR reporting and interest allocation calculations (if applicable) and did not provide supporting documentation for the amounts that they reported to EAC on the FFRs.

In the internal control phase of the audit, we noted 10 grantees that did not have any written policies and procedures in place regarding their interest calculation and FFR reporting processes to ensure continuity in case of staff turnover. We noted noncompliance at seven of these 10 grantees in the substantive compliance testing phase.

#### Challenge #2 – Accounting for Multiple Grants

Another common theme that was noted amongst the grantees with compliance issues was accounting for multiple or all of their HAVA grants (Election Security, Section 101, Section 251) in one fund within the accounting system. 11 of the 15 grantees with no instances of noncompliance either did not have reissued<sup>1</sup> Section 251 funds or the Section 251 funds were closed out prior to September 30, 2022, therefore they did not have to account for multiple grants.

In cases when the Treasury credits the election fund for the total interest earned on the commingled HAVA funds, the grantee is required to perform additional calculations to allocate the interest between the HAVA grants for reporting on the FFRs. We noted instances when the methodology

<sup>1</sup> The EAC performed administrative closeouts of Section 251 grants at several grantees and reissued the remaining unspent funds as new grants.

used to allocate interest across the various grants did not provide for a fair and equitable allocation across the various grants. There were also instances of calculation errors, such as formula errors in spreadsheets. This accounted for 3 of the instances of noncompliance that were noted.

### Challenge #3 – Timely Deposit of Funds and/or Interest Earnings

We noted instances at four grantees where there were delays in the Election Security grant funds either being deposited into the election fund or the funds beginning to earn interest. At most grantees, the funds are deposited with the respective state's Treasury, and the grantee must communicate to the Treasury the need to invest or earn interest on these funds in order for the Treasury to credit the interest to the election fund(s). The issues were most frequently observed with the 2018 Election Security grant funds, likely due to the inexperience of the grantees with the process as this was the first HAVA grant received by the grantees in many years.

### Challenge #4 – Advances to Subgrantees

Only seven of the 34 grantees indicated that they had provided advances of HAVA grant funds to subgrantees during the audit period. However, we noted two instances where the grantee did not properly inform their subgrantees of the need to deposit the advanced funds into an interest bearing bank account and report the amount of interest earned back to the grantee for inclusion in FFR reporting. In one instance, the grantee explicitly told the subgrantees not to deposit the funds into an interest-bearing account.

## **Best Practices**

### Best Practice #1 – Separate Accounting for Grants

A common theme amongst the grantees that were in compliance was that the accounting system was set up to account for the various HAVA grants separately. Depending on the nature of the statewide accounting system, this may have been done by establishing separate funds or by establishing separate appropriations within a fund. This allowed the Treasury to credit interest to each fund or appropriation separately based on the balance within that fund or appropriation, and eliminated the need for the grantee to manually calculate the allocation of interest earned between the grants. Out of the nine grantees where this practice was noted in the survey and internal control phase, only three had noncompliance issues.

### Best Practice #2 – Monitoring of Investments

During the internal control phase, we noted seven grantees that receive periodic reports from their state Treasury, which include information such as the average balances, interest rates, and amounts of interest earned for the periods. Additionally, there was one grantees which had a process to multiply the average daily balance of their election fund by the interest rate posted on the State Treasurer's website to ensure the accuracy of the interest posted to their fund in the accounting system. Of these eight grantees, only four had instances of noncompliance reported (one of which was related to subgrants).

### Best Practice #3 – Written Policies and Procedures

We noted two grantees that had comprehensive written policies and procedures manuals related to federal grant compliance. These were noted to be more comprehensive than the typical informal procedures that many other grantees had, if they had any written procedures in place. Neither of these grantees had any instances of noncompliance noted.

### Standard Procedures for Compliance

Through the process of examining the interest income processes at 34 grantees and analyzing the common challenges and best practices, we believe that the following controls should be in place at all grantees in order to provide the best opportunity for compliance with the applicable requirements:

- The grantee should have comprehensive written policies and procedures governing their processes for administering HAVA grant funding that can be used to ensure continuity in the case of staff turnover. The policies should address the following:
  - Process for establishing HAVA funds as interest-bearing with the Treasury upon receipt.
  - Procedures regarding the delegation of authority for FFR reporting, such as who is responsible for preparing the report.
  - Process for compiling the information necessary for FFR filing (running reports from the accounting system, etc.).
  - Methodology for calculating the allocation of interest between grants (if necessary) and the process for performing the calculations (such as a spreadsheet template)
  - Procedures for the review of the FFRs and any calculations that were made for accuracy by an individual other than the one who completed the report.
- The grantee should maintain organized supporting documentation for the amounts that are reported on the FFRs, such as copies of the accounting system reports and any spreadsheets that were used for calculations. These should be kept in a location that is accessible to those who may need the information (supervisors, successor employees).
- Reports of cumulative amounts should be generated from the accounting system in completing the FFRs rather than running a report covering only the time period of the report. This would help to ensure that any adjustments that were made in the accounting system in prior periods after the reports for the prior FFRs were run are accounted for, as well as any inadvertent errors that may have been made in prior periods.
- Alternatively, the grantees should perform a periodic reconciliation of the amounts reported to EAC on the FFRs to the accounting records.

In order to assist the grantees in establishing these foundational control processes, the EAC could consider providing technical assistance to grantees and implementing the following oversight procedures:

- Perform limited pre-award reviews which inquire about the presence of written policies and procedures for the administration of grant funds, such as through the use of an internal control questionnaire.
- Continue to provide education regarding the requirements for interest income and the need to deposit funds in an interest-bearing election fund.



- Continue to provide education regarding the requirement to have subgrantees who receive advanced funds deposit the funds into an interest-bearing account. An FAQ on the EAC website cites HAVA 254(b)(1)(d), 2 CFR 200.305(b)(7)(ii), and 200.332(a)(2,3), which state that grantee requirements are passed through to grantees. A section regarding subgrantees could be added to future Notices of Grant Award and could include the citations above. A template subgrantee agreement could be developed for the grantees to provide to their subgrantees if they choose to provide awards in advance.
- Require grantees to submit backup documentation with their FFRs, at least on a periodic basis. This backup could include accounting system reports, or in cases where multiple grants are in one fund, a copy of the grantee's interest allocation calculations. This would provide EAC with the chance to review the allocation methodology, as well as ensuring that a record of the supporting documentation is maintained in cases where staff turnover occurs and the records are lost.

### **Recommendations for EAC**

1. Based on the results of our audit which disclosed instances of noncompliance and/or internal control deficiencies at 18 of the 34 grantees included in the audit, we recommend that the EAC strengthen the procedures for monitoring grantees compliance with the applicable requirements for interest income earned on HAVA grant funds.

### **Election Assistance Commission's Response:**

The EAC Office of Grants Management (OGM) acknowledges that the scope of this audit and interest findings in past individual HAVA state audits show a need for improved monitoring for compliance and additional grantee education. OGM will review current monitoring procedures and develop processes for identifying and addressing areas of risk such as a grantee's lack of sufficient internal controls.

OGM is also working on additional resources to better educate grantees regarding interest requirements and subaward management. The resources will include written guidance, FAQs, training videos, and live webinars to be developed and implemented over the next year.

### **Auditor's Response:**

The response is appropriate to correct the concern.

The EAC's complete response is included as Appendix A.

## II. INDIVIDUAL GRANTEE RESULTS

This section summarizes our assessment of each grantees compliance with the applicable requirements for interest earned on HAVA funds.

### **Summary of Compliance**

Our assessment determined whether each grantee complied with the applicable requirements for interest earned, including: 1) timely deposit of HAVA funds to an interest-bearing election fund; 2) correct calculation and recording of interest earned on HAVA funds; 3) correct reporting of interest earned on the FFR submitted to EAC; 4) funds distributed to subgrantees adhere to applicable HAVA interest requirements.

### **Findings and Recommendations**

#### **Finding #1 – FFR Variances**

Condition: Thirteen instances were noted where the interest income reported on grantees FFRs did not agree or could not be agreed to the accounting records. Variances were noted at the following grantees: Alabama, Connecticut, Kansas, Kentucky, Louisiana, Mississippi, New Hampshire, New Mexico, South Carolina, South Dakota, Utah, Vermont, and West Virginia. See Appendix C for details.

Criteria: 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: ...

(3) Records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining to Federal awards, authorizations, financial obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation.”

Cause: The cause of the variances varied by grantee. See Appendix C for details.

Effect: Interest income is considered by the EAC to be additive to the grant and must be spent on HAVA related activities. Proper reporting of interest income earned ensures that all funds earned by grantees on the deposit of HAVA grant funds are added to the funds available to be spent and are expended on HAVA related activities.

Recommendations: See Appendix C for details.

#### **Finding #2 – Written Policies and Procedures**

Condition: The following grantees do not have written policies and procedures regarding the interest allocation and FFR reporting processes to ensure continuity in case of staff turnover: Alabama, Connecticut, Florida, Illinois, Kentucky, Mississippi, New Hampshire, South Carolina, and Utah.

Criteria: A proper system of internal controls should include policies and procedures that are written and communicated to all employees.

Cause: The grantees had not implemented written policies and procedures.

Effect: Documenting the processes for calculating interest income and reporting to the EAC on the FFRs helps to ensure the continuity and consistency of the processes in cases of staff turnover with grantees.

Recommendations: See Appendix C for details.

### Finding #3 – Timeliness of Deposit/Earning Interest

Condition: We noted instances at five grantees where there were delays in the Election Security grant funds either being deposited into the election fund or the funds beginning to earn interest. The grantees were: Hawaii, Maine, Mississippi, Puerto Rico, and Utah. See Appendix C for details.

Criteria: The Notices of Grant Award for the Election Security and Section 251 grants requires the grant funds to be deposited into an interest-bearing election fund and interest earned on the awards to be retained in the election fund and used for allowable activities described in Section 101 (Election Security) or Section 251(b) of HAVA. EAC Advisory 2005-003 states that, "...the HAVA specifically designates the use of the interest on money deposited into the election fund...to be used to meet the requirements of Title III and for such other purposes that a requirements payment could be used. These sections allow the State to retain, rather than remit, the interest earned...."

Cause: The cause of the delays varied by grantee. See Appendix C for details.

Effect: Interest income is considered by the EAC to be additive to the grant and must be spent on HAVA related activities. Proper reporting of interest income earned ensures that all funds earned by grantees on the deposit of HAVA grant funds are added to the funds available to be spent and are expended on HAVA related activities.

Recommendations: See Appendix C for details.

### Finding #4 – Advances to Subgrantees

Condition: We noted two instances where the grantee did not properly inform their subgrantees of the need to deposit the advanced funds into an interest-bearing bank account and report the amount of interest earned back to the grantee for inclusion in FFR reporting, if required. The grantees were Connecticut and Wyoming. See Appendix C for details.

Criteria: The Uniform Guidance at 2 CFR 200.305(b)(8) states that, "The non-federal entity must maintain advance payments of Federal awards in interest-bearing accounts, unless the following apply: (i) The non-Federal entity receives less than \$250,000 in Federal awards per year. (ii) The best reasonably available interest-bearing account would not be expected to earn interest in excess of \$500 per year on Federal cash balances. (iii) The depository would require an average or minimum balance so high that it would not be feasible within the expected Federal and non-Federal cash resources..." The EAC has directed grantees that, "Where subgrants are disbursed as advanced payments, the subgrantee is required to place their funds in an interest-bearing account and report any interest earned and expended to the grantee."

Cause: The cause of the conditions varied by grantee. See Appendix C for details.

Effect: Interest income is considered by the EAC to be additive to the grant and must be spent on HAVA related activities. Proper notification of the federal requirements to subgrantees ensures that all funds earned by subgrantees on the deposit of HAVA grant funds, if applicable, are added to the funds available to be spent and are expended on HAVA related activities.

Recommendations: See Appendix C for details.

McBride, Lock & Associates, LLC performed the related audit procedures between March 23, 2023 and March 5, 2024.

*McBride, Lock & Associates, LLC*

McBride, Lock & Associates, LLC  
Kansas City, Missouri  
March 5, 2024

**APPENDIX A**

**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: Sarah Dryer, Deputy Inspector General

FROM: Risa Garza, Grants Director

DATE: April 8, 2024

RE: Response to Audit of Interest Income Earned on HAVA Funds

The EAC Office of Grants Management (OGM) has reviewed the OIG's contracted audit with McBride, Lock & Associates LLC to examine interest income earned on HAVA awards. Per the report, 18 of 34 selected grantees had findings with 29 respective recommendations. The OGM agrees and accepts the individually applied findings and recommendations.

In this report, the auditors noted four main challenges to compliance with interest requirements including staff turnover, management of multiple HAVA grants, timely deposit of grant funds, and advanced payments to subgrantees. All these challenges point to a lack of sufficient internal controls in more than half of the selected grantees. The EAC OGM understands that this is a consequence of the large amount of HAVA funding grantees received after a long period of no new federal funding and minimal reporting requirements. In the course of administering more than \$1.34 billion in HAVA formula funds since 2018, OGM has worked to address these areas of high risk by developing a more robust monitoring and technical assistance program. During the past five years, the OGM has implemented more stringent reporting requirements, including a new narrative progress report with more frequent reporting, developed a comprehensive FAQ resource, and provided daily technical assistance to grantees as well as webinars and written guidance.

In 2024, the EAC OGM has continued and expanded these efforts focusing on the needs of low-capacity grantees and those with high staff turnover. Ongoing improvement projects include reviewing and updating existing grant guidance to address gaps and inconsistencies, publishing additional grant resources including written guidance and technical assistance videos, and developing and implementing a risk management framework to address areas of vulnerabilities within the HAVA grants program and inform measures for preventing further noncompliance. OGM's targeted efforts will allow the EAC to successfully address the findings of this audit as well as other areas of high risk for noncompliance.

The management decisions in response to the recommendation for the EAC and the four main findings included in this report are provided below.



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

### **Recommendation #1 (for the EAC)**

Based on the instances of non-compliance and internal control deficiencies found in 18 of the 34 states included in this audit, the auditors recommend that the EAC strengthen monitoring procedures for compliance with the interest requirements of HAVA funding.

**Management Decision:** The EAC OGM acknowledges that the scope of this audit and interest findings in past individual HAVA state audits show a need for improved monitoring for compliance and additional grantee education. OGM will review current monitoring procedures and develop processes for identifying and addressing areas of risk such as a grantee's lack of sufficient internal controls.

OGM is also working on additional resources to better educate grantees regarding interest requirements and subaward management. The resources will include written guidance, FAQs, training videos, and live webinars to be developed and implemented over the next year.

### **Finding #1**

The auditors identified thirteen instances where grantees' reported interest amounts on their FFRs did not agree with accounting records. The cause of these discrepancies varied across grantees.

**Management Decision:** The OGM recognizes that grantee methods of accruing and calculating interest vary depending on their internal policies, organizational structure, banking, and chosen accounting methods. In consideration of these variances, OGM will work with each grantee to identify best practices for monitoring grant balances, interest rates, and earnings that meet the grantee's specific needs and organizational structure.

### **Findings #2 and #3**

The auditors found nine grantees do not have written policies and procedures regarding interest allocation and FFR reporting processes. Five grantees were found to have delayed depositing their HAVA funds in interest-bearing accounts.

**Management Decision:** As noted in the report, written policies and procedures ensure the continuity and consistency of processes in case of staff turnover. Delays in interest earned on HAVA funds result in lost interest and reduced overall funding available for grant program activities. OGM will work with grantees to develop and implement written policies and procedures regarding federal interest management, including coordinating the timely deposit of funds with the state treasury, calculating and allocating interest across HAVA grants, and ensuring the accuracy of reported interest.



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633 3rd St. NW, Suite 200  
Washington, DC 20001

#### **Finding #4**

The auditors noted that two grantees did not inform subgrantees that advanced payments must be deposited in an interest-bearing account and that interest accrued must be reported to the state.

**Management Decision:** While OGM acknowledges the risk posed by the improper management of subawards, when the interest requirement is passed down to subgrantees, several exceptions apply. It is OGM's understanding that at least one of these exceptions applies to the majority of advanced subawards made by grantees. OGM will work with grantees to develop appropriate policies and procedures for informing subgrantees of the interest requirement, exceptions, and the reporting process.

#### **Timeline for Resolution**

The EAC OGM will coordinate responses to each identified state to resolve findings and recommendations no later than March 31, 2025. Training specific to interest income will occur by 7/31/2024. EAC OGM will review and update procedures for monitoring grantee compliance with interest requirements by 10/1/2024.



## **APPENDIX B**

### **Audit Scope and Methodology**

## AUDIT SCOPE AND METHODOLOGY

Internal controls were analyzed based on the 5 components of internal control (control environment, risk assessment, control activities, information and communication, and monitoring) pursuant to the internal control guidance contained in *Internal Control - Integrated Framework*, published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on the internal control strengths and weaknesses, we assessed the risk associated with interest income compliance and modified planned substantive tests where considered necessary. Risk assessment processes considered the nature of the award and the award recipient, its structure, audit history, control environment and internal control systems.

Our understanding of the relevant internal controls was based on information gathered from survey questionnaires, document review, transaction analysis and observations. Survey questionnaires were completed by personnel that were knowledgeable of high level control environment policies and procedures and the accounting, award administration and reporting systems. Significant documents reviewed included the FFRs, Section 251 closeout letters and Notices of Grant Award, organizational charts, policies and procedures manuals, and general ledger queries related to interest income.

To further understand and evaluate the internal control systems, we performed an initial reconciliation of the FFRs to the supporting accounting records for each grantee. Based on information gained from the survey questionnaires and document reviews, we developed an understanding and evaluated the systems and procedures related to compliance with the applicable interest requirements at each grantee. We then identified apparent internal control strengths and weaknesses at each grantee in order to determine the overall level of compliance and identify common best practices or barriers to compliance.

During the substantive compliance testing phase, we further investigated any variances in the preliminary reconciliations through consultations with recipient personnel. Explanations for any remaining variances that could not be resolved were obtained. In addition to the reconciliation of the accounting records to the FFRs, we also analyzed the transaction detail reports to determine the dates of receipt of HAVA grant funds and the dates in which interest began to be earned to ensure that funds began earning interest upon receipt. We also selected a sample of interest income transactions from the detailed transaction ledgers and requested documentation to support the correct calculation of interest income. Significant documents reviewed included the FFRs, Section 251 closeout letters and Notices of Grant Award, detailed general ledgers, and interest allocation calculation spreadsheets and average daily balance reports from the recipients Treasury where applicable.

We made the following determination as to the significance of the underlying internal control principles:

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

Control Activities and its underlying principles were deemed to be significant to our determination of the grantee's compliance with the objectives. 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 each grantees compliance with interest income requirements.

Information and Communication and its underlying principles were deemed to be significant to our determination of the grantee's compliance with the objectives. These principles address the quality of the information and the internal communication processes used to compile the data necessary to meet the grantee's reporting objectives. This includes communicating internally within the state government apparatus, since the custody and investment decisions of the HAVA funds and the maintenance of the statewide accounting system are typically the responsibility of state agencies other than the Secretary of State or Election Board. For those grantees that have provided advances of HAVA funds to local municipalities, the Communicate Externally principle would also apply since the grantee's would be responsible for communicating the requirements to the subgrantees and the subgrantees would be responsible for communicating the amounts of interest earned to the grantee.

## **APPENDIX C**

### **Grantee Compliance Section**

## GRANTEE COMPLIANCE SECTION

### Alabama

Scope: Election Security and Section 251

#### Finding #1 – FFR Variances

*Condition* – We could not reconcile the interest reported on the Election Security and Section 251 FFRs as of September 30, 2022 to the accounting records. All HAVA funds are maintained in one bank account, and a calculation is performed by the grantee to allocate the interest earned on the bank account to the various HAVA grants. The audit attempted to recalculate the monthly allocations using worksheets that were provided by the grantee, but could not recalculate the amounts that were reported on the FFRs, except for the amount reported on the September 30, 2018 Election Security FFR. It appears that the same allocation percentages were used from the inception of the Election Security grant through March 2020, rather than basing the allocation on the monthly balances of each grant maintained in the bank account.

*Cause* – The grantee maintains all EAC grants in one account and must perform a calculation to determine the allocation of the interest earned between the various grants. Sufficient documentation regarding these calculations was not maintained to support the amounts reported on the Election Security and Section 251 FFRs. The current accountant was not in place during the audit period and could not determine where the amounts reported came from.

#### *Recommendations:*

1. The EAC should work with the grantee to:
  - Determine an adequate allocation methodology, recalculate the interest allocations from the inception of the 2018 Election Security grant using this methodology, and correct the reporting of interest income on the September 30, 2022 and any subsequently filed Election Security and Section 251 FFRs.
  - Implement procedures to ensure that proper supporting documentation is maintained to support the amounts reported to EAC on the FFRs.

#### Finding #2 – Written Policies and Procedures

*Condition* – The grantee did not have written policies and procedures regarding the interest allocation and FFR reporting processes to ensure continuity in case of staff turnover.

#### *Recommendation:*

2. We recommend that the EAC work with the grantee to ensure the implementation of proper written policies and procedures regarding the calculation and reporting of interest income.

## **Arkansas**

Scope: Election Security

No findings.

## **Colorado**

Scope: Election Security and Section 251

No findings.

## **Connecticut**

Scope: Election Security

### **Finding #1 – FFR Variances**

*Condition* – Variances were noted in the September 30, 2022 Election Security grants FFR. The interest reported was \$5,271 higher than the amount supported by the accounting records. Also, the FFR incorrectly reported a cash on hand balance on Line 10c of \$0. Our audit noted that the interest earned for the July through September 2022 period was calculated based on a balance of \$2,192,879, and the grantee provided documentation showing that the funds were not fully expended as of September 30, 2022.

*Cause* – The current audit contact was not in place during the audit period and could not provide explanations for the variance in the September 30, 2022 Election Security FFR.

*Recommendations:*

3. The EAC should work with the grantee to:
  - Correct the interest income reported on the September 30, 2022 and any subsequently filed Election Security FFRs.
  - Implement procedures to ensure accurate reporting on future FFRs and to ensure that supporting documentation is maintained to support the amounts reported to EAC on the FFRs.

### **Finding #2 – Written Policies and Procedures**

*Condition* – The grantee did not have written policies and procedures regarding the interest allocation and FFR reporting processes to ensure continuity in case of staff turnover.

*Recommendation:*

4. We recommend that the EAC work with the grantee to ensure the implementation of proper written policies and procedures regarding the calculation and reporting of interest income.

#### Finding #4 – Advances to Subgrantees

*Condition* – The grantee did not properly inform their subgrantees of the need to deposit the advanced funds into an interest-bearing bank account and report the amount of interest earned back to the grantee for inclusion in FFR reporting, if required.

*Cause* – The current audit contact was not in place during the audit period and could not provide an explanation for why the grantee did not communicate the requirement to deposit funds into an interest-bearing account to subgrantees.

*Recommendation:*

5. The EAC should work with the grantee to implement procedures to ensure that subgrantees are properly informed of the federal requirements related to interest income and the need for subgrantees to report interest income earned, if applicable.

#### District of Columbia

Scope: Election Security

No findings.

#### Florida

Scope: Election Security and Section 251

#### Finding #2 – Written Policies and Procedures

*Condition* – The grantee did not have written policies and procedures regarding the interest allocation and FFR reporting processes to ensure continuity in case of staff turnover.

*Recommendation:*

6. We recommend that the EAC work with the grantee to ensure the implementation of proper written policies and procedures regarding the calculation and reporting of interest income.

#### Hawaii

Scope: Election Security and Section 251

#### Finding #3 – Timeliness of Deposit/Earning Interest

*Condition* – We noted that the first interest entry for the 2018 Election Security grant, which was received on October 29, 2018, was dated April 24, 2020. The grantee determined that prior to that date, the interest was being posted into the fund in the accounting system that houses the Section 101 and 251 funds. The 2020 Election Security grant funds were received on June 4, 2020 but the first interest entry was not posted until June 2021. A deposit was made during the audit period to correct for the lost interest. The

2022 Election Security grant funds were received on August 12, 2022 but the first interest entry was not posted until March 2023.

*Cause* – The grantee indicated that there were issues working with the Department of Finance and Budget in getting the funds setup to be interest bearing due to staffing shortages in that department.

*Recommendations:*

7. The EAC should work with the grantee to :
  - Determine the amount of any lost interest due to the delays in the earning of interest on the 2022 Election Security grant funds, and to ensure the amount is deposited into the election fund.
  - Determine the amount of Election Security interest that was incorrectly posted to the accounting system fund for the Section 101 and Section 251 grants, move the amounts to the appropriate fund in the accounting system, and file corrected FFRs for the September 30, 2022 and any subsequently filed Election Security, Section 101 and Section 251 grants.
  - Implement procedures to ensure that future EAC grants are deposited into an interest-bearing election fund on a timely basis.

## **Idaho**

Scope: Election Security

No findings.

## **Illinois**

Scope: Election Security and Section 251

### **Finding #2 – Written Policies and Procedures**

*Condition* – The grantee did not have written policies and procedures regarding the interest allocation and FFR reporting processes to ensure continuity in case of staff turnover.

*Recommendation:*

8. We recommend that the EAC work with the grantee to ensure the implementation of proper written policies and procedures regarding the calculation and reporting of interest income.

## **Kansas**

Scope: Election Security and Section 251

### **Finding #1 – FFR Variances**



*Condition* – Variances were noted in the September 30, 2022 Election Security and Section 251 FFRs. The interest reported on the Election Security grant FFR was \$12,691 higher than the amount supported by the accounting records. The grantee did not report \$8,361 of interest earned on Section 251 state matching fund during federal fiscal year 2019 on Line 10i of the FFR.

*Cause* – The grantee was not aware of the reasons for the variances. It appears that there was no reconciliation of the amounts reported on the FFRs to the accounting records until the initial audit information request.

*Recommendations:*

9. The EAC should work with the grantee to:
  - Correct the interest income reported on the September 30, 2022 and any subsequently filed Election Security and Section 251 FFRs.
  - Implement procedures to ensure accurate reporting on future FFRs.

## **Kentucky**

Scope: Election Security and Section 251

### **Finding #1 – FFR Variances**

*Condition* – There were variances in the interest reported on the September 30, 2022 Election Security grant FFR and the interest per the accounting records. The audit of EAC funds performed by our firm in 2020 noted that the grantee did not have a proper method for allocating interest between Election Security and Section 101 funds. The grantee worked with the EAC grants resolution process to recalculate the allocations for the periods October 2018 through February 2022. The interest reported per the FFR was \$68,812 less than the revised amounts determined by the grantee. Also, we noted that August and September 2018 were not recalculated using the revised allocation methodology. The interest for these months was incorrectly attributed entirely to the Election Security grants.

*Cause* – The FFR as of September 30, 2022 had not yet been corrected to reflect the new calculations that were determined through the EAC resolution process.

*Recommendation:*

10. The EAC should work with the grantee to determine that the September 30, 2022 and any subsequently filed Election Security FFRs are properly corrected to reflect the revised interest allocations.

### **Finding #2 – Written Policies and Procedures**

*Condition* – The grantee did not have written policies and procedures regarding the interest allocation and FFR reporting processes to ensure continuity in case of staff turnover.

*Recommendation:*

11. We recommend that the EAC work with the grantee to ensure the implementation of proper written policies and procedures regarding the calculation and reporting of interest income.

**Louisiana**

Scope: Election Security

**Finding #1 – FFR Variances**

*Condition* – The grantee could not provide a general ledger detail of interest earned between April and June 2022. There was \$49,266 of interest reported per the FFR between April 2022 and September 2022 that could not be agreed to accounting records due to the missing detail. We were able to agree the interest earned reported on the March 31, 2022 Election Security FFR to the accounting records.

*Cause* – The state switched accounting systems for state fiscal year 2023 and could not go back into the old system to run reports. The grantee was able to locate printed copies of general ledger details for interest income for periods from inception of the Election Security grant through March 2022, and provided a detail from the new accounting system for July through September 2022.

*Recommendation:*

12. The EAC should work with the grantee to implement procedures to ensure that proper supporting documentation is maintained to support the amounts reported to EAC on the FFRs.

**Maine**

Scope: Election Security

**Finding #3 – Timeliness of Deposit/Earning Interest**

*Condition* – We noted an issue with the timeliness of the deposit of the 2018 Election Security grant into an interest-bearing fund. The grant funds were received in July 2018, however, the first interest posted was not until January 2019 for interest earned in December 2018. The EAC contacted the grantee regarding the lack of interest and the grantee worked with the Treasurer to correct the deficiency. There is no indication that lost interest for the July through November 2018 time period was calculated and deposited into the election fund.

*Cause* – In order for funds held by the Treasury to earn interest, there must be legislation that dictates that earnings are to be credited back to the fund and the Treasury must be made aware of the need to earn interest. The grantee did not notify the Treasury of the need to earn interest on the 2018 Election Security grant.

*Recommendations:*

13. The EAC should work with the grantee to:

- Determine the amount of lost interest due to the delay in establishing the funds as interest bearing with the Treasury and ensure that the amount is deposited into the election fund.
- Implement procedures to ensure that the Treasury is notified in a timely manner of the need to earn interest on future HAVA grants.

**Maryland**

Scope: Election Security

No findings.

**Massachusetts**

Scope: Election Security and Section 251

No findings.

**Mississippi**

Scope: Election Security and Section 251

**Finding #1 – FFR Variances**

*Condition* – The interest reported on the September 30, 2022 Election Security FFR was \$37,465 higher than the amount supported by the accounting records.

*Cause* – The current audit contact has been in place for six months and could not explain the variances between the FFR and the accounting records.

*Recommendations:*

14. The EAC should work with the grantee to:

- Correct the interest income reported on the September 30, 2022 and any subsequently filed Election Security FFRs.
- Implement procedures to ensure accurate reporting on future FFRs and to ensure that supporting documentation is maintained to support the amounts reported to EAC on the FFRs.

**Finding #2 – Written Policies and Procedures**

*Condition* – The grantee did not have written policies and procedures regarding the interest allocation and FFR reporting processes to ensure continuity in case of staff turnover.

*Recommendation:*

15. We recommend that the EAC work with the grantee to ensure the implementation of proper written policies and procedures regarding the calculation and reporting of interest income.

Finding #3 – Timeliness of Deposit/Earning Interest

*Condition* – It was determined during the audit that the \$1 million 2022 Election Security grant funds were never deposited into the election fund and were still sitting in the Treasury unclaimed, therefore, no interest had been earned and credited to the election fund.

*Cause* – The current audit contact has been in place for six months and could not explain the reason for the 2022 Election Security funds not being deposited into the election fund.

*Recommendations:*

16. The EAC should work with the Grantee to:
  - Determine the amount of any lost interest due to the delays in the earning of interest on the 2022 Election Security grant funds, and the amount should be deposited into the election fund.
  - Implement procedures to ensure that future EAC grants are deposited into an interest-bearing election fund on a timely basis.

**Montana**

Scope: Election Security

No findings.

**Nebraska**

Scope: Election Security

No findings.

**Nevada**

Scope: Election Security

No findings.

**New Hampshire**

Scope: Election Security and Section 251

Finding #1 – FFR Variances

*Condition* – Variances were noted in the September 30, 2022 Election Security and Section 251 FFRs. The amount of interest reported on the September 30, 2022 Election Security FFR was \$3,407 less than the amount per the accounting records. The amount of interest reported on the September 30, 2022 Section 251 FFR was \$508 higher than the amount per the accounting records. \$110,073 of Voter Checklist sales income was reported on both Lines 10i and 10l of the Section 251 FFR.

*Cause* – The grantee indicated that the Election Security FFR variance was due to a formula error and was corrected on the June 2023 quarterly FFR.

*Recommendations:*

17. The EAC should work with the Grantee to:

- Correct the interest income reported on the September 30, 2022 and any subsequently filed Election Security and Section 251 FFRs, including determining the proper reporting on the Section 251 FFRs for the Voter Checklist sales.
- Implement procedures to ensure accurate reporting on future FFRs.

#### Finding #2 – Written Policies and Procedures

*Condition* – The grantee did not have written policies and procedures regarding the interest allocation and FFR reporting processes to ensure continuity in case of staff turnover.

*Recommendation:*

18. We recommend that the EAC work with the grantee to ensure the implementation of proper written policies and procedures regarding the calculation and reporting of interest income.

#### New Mexico

Scope: Election Security

#### Finding #1 – FFR Variances

*Condition* – There was a variance between the amount of interest income per the September 30, 2022 Election Security FFR and the accounting records. The amount reported per the general ledger through September 30, 2022 was \$540 higher than the amount per the FFR.

*Cause* – Our audit of New Mexico’s HAVA funds in 2020 noted that the interest for the months of June 2018, July 2019 and August 2019 were not included in the amount reported on the September 30, 2019 FFR. The July and August 2019 amounts were added to the March 31, 2021 FFR, but it does not appear that the \$1,926 from June 2018 has been included in the cumulative amounts reported on the FFRs.

*Recommendations:*

19. The EAC should work with the grantee to:

- Correct the interest income reported on the September 30, 2022 and any subsequently filed Election Security FFRs.
- Implement procedures to ensure accurate reporting on future FFRs.

### **New York**

Scope: Election Security and Section 251

No findings.

### **North Dakota**

Scope: Election Security and Section 251

No findings.

### **Oklahoma**

Scope: Election Security and Section 251

No findings.

### **Oregon**

Scope: Election Security

No findings.

### **Puerto Rico**

Scope: Election Security and Section 251

### **Finding #3 – Timeliness of Deposit/Earning Interest**

*Condition* – No interest was reported for Election Security grant funds on the September 30, 2022 FFR. No interest had been credited to the Section 251 funds since September 2018. It was noted that \$132,067 of interest was credited to Election Security funds and \$3,505 of interest was credited to Section 251 funds in June 2023 for the period September 2022 through April 2023.

*Cause* – The grantee is aware of the issue but has had difficulties working with the Treasury that stem from a financial crisis in 2017.

*Recommendation:*

20. The EAC should work with the grantee to ensure that interest is now being properly credited to HAVA grant funds in a timely manner and that all lost interest is properly calculated and deposited into the election fund.

## South Carolina

Scope: Election Security and Section 251

### Finding #1 – FFR Variances

*Condition* – The grantee has two funds in the accounting system which are credited with interest, one which appears to include Section 101, Section 251, and 2018 Election Security grant funds, and another which appears to be for the 2020 Election Security grants. Therefore, calculations must be made to determine the allocation of interest between the grants. The grantee could only provide the allocation calculation spreadsheet for federal fiscal year 2022, no documentation could be provided showing how the interest was allocated in prior years.

We attempted to reconcile the calculated interest earned on Election Security grant funds for FFY2022 to the amount earned per the FFR, and noted a variance of \$1,286 for the year. The spreadsheet did not appear to be correctly calculating the fund balances which were used to allocate the interest between the various grants. The amounts in the “Expenses” column each month were added to the previous month’s ending balance rather than subtracted. Also, the interest earned per the general ledger and the allocation spreadsheet did not appear to include the 2022 Election Security grant funds that were received during the year.

The September 30, 2022 Section 251 FFR did not report an amount on Line 10i for recipient match share, but there was \$1,914,980 of state match at the time of the reissuance of the remaining Section 251 grant funds.

*Cause* – The grantee could not provide the interest allocation calculation spreadsheets for the 2018-2021 federal fiscal years. The current audit contact was not with the grantee at that time.

#### *Recommendations:*

21. The EAC should work with the Grantee to:

- Develop proper allocation calculation procedures, recalculate the interest allocations from the inception of the 2018 Election Security grant using this methodology, and correct the reporting of interest income on the September 30, 2022 and any subsequently filed Election Security and Section 251 FFRs.
- Implement procedures to ensure that proper supporting documentation is maintained to support the amounts reported to EAC on the FFRs.

### Finding #2 – Written Policies and Procedures

*Condition* – The grantee did not have written policies and procedures regarding the interest allocation and FFR reporting processes to ensure continuity in case of staff turnover.

*Recommendation:*

22. We recommend that the EAC work with the grantee to ensure the implementation of proper written policies and procedures regarding the calculation and reporting of interest income.

**South Dakota**

Scope: Election Security and Section 251

**Finding #1 – FFR Variances**

*Condition* – Total federal and state interest on the September 30, 2022 Section 251 FFR (calculated by taking the difference between the amounts on Line 10p and Line 10i less the amounts of interest and state match at the time of reissuance) was \$1,290,222 higher than the amount per the accounting records. Per the grantee, \$1,122,682 of the amount reported on Line 10i consisted of non-Section 251 grant funds that were held by the state and set aside for Counties to request reimbursement from. The grantee did not provide an explanation for the remainder of the variance, but indicated that they have notified the EAC that the recipient match amounts on the FFR have been incorrect since 2019. The grantee is currently working on a reconciliation to correct the reports.

*Cause* – The amounts reported in the state matching section of the Section 251 FFR include non-Section 251 grant funds that have been set aside for Counties to request reimbursement from in addition to any interest earned on these funds.

*Recommendations:*

23. The EAC should work with the Grantee to:
  - Correct the interest income reported on the September 30, 2022 and any subsequently filed Section 251 FFRs.
  - Implement procedures to ensure accurate reporting on future FFRs.

**Texas**

Scope: Election Security

No findings.

**Utah**

Scope: Election Security and Section 251

**Finding #1 – FFR Variances**

*Condition* – The grantee began investing state matching funds in the Public Treasurers' Investment Fund in August 2021 and began allocating a portion of the total interest earned to state match. However, the interest earned on the state matching funds was not reported



on the September 30, 2022 Election Security FFR. The grantee calculated \$6,116 of interest earnings on matching funds from August 2021 to September 2022.

*Cause* – The grantee did not have an explanation for the variance.

*Recommendations:*

24. The EAC should work with the Grantee to:

- Correct the interest income reported on the September 30, 2022 and any subsequently filed Election Security FFRs.
- Implement procedures to ensure accurate reporting on future FFRs.

#### Finding #2 – Written Policies and Procedures

*Condition* – The grantee did not have written policies and procedures regarding the interest allocation and FFR reporting processes to ensure continuity in case of staff turnover.

*Recommendation:*

25. We recommend that the EAC work with the grantee to ensure the implementation of proper written policies and procedures regarding the calculation and reporting of interest income.

#### Finding #3 – Timeliness of Deposit/Earning Interest

*Condition* – The 2018 Election Security grant funds were initially received on July 13, 2018 but were deposited to the incorrect bank account. The funds were located in August 2018 and moved to the correct account in October 2018, but were not invested in the Public Treasurer's Investment Fund (PTIF) and did not receive interest until January 2019.

*Cause* – The grantee indicated that since it had been awhile since they received a new award, the 2018 Election Security grant funds were initially deposited into to the wrong bank account.

*Recommendations:*

26. The EAC should work with the Grantee to:

- Determine the amount of lost interest due to the delay in investing 2018 Election Security funds and ensure that the amount is deposited into the election fund.
- Implement procedures to ensure that the Treasury is notified in a timely manner of the need to earn interest on future HAVA grants.

### Vermont

Scope: Election Security and Section 251

#### Finding #1 – FFR Variances

*Condition* – Interest reported on the September 30, 2022 Section 251 FFR was \$92,235 higher than the amount supported by the accounting records.

*Cause* – The grantee discovered an error in the interest income reported on the September 30, 2018 Section 251 FFR where \$30,823 was included that should have been reported as Election Security grant income. The grantee discovered that \$61,502 of interest was double counted on the September 30, 2022 Section 251 FFR due to a formula error in the worksheet used to complete the FFR. Per the grantee, these errors have been corrected on the March 31, 2023 Section 251 FFR.

*Recommendations:*

27. The EAC should work with the Grantee to:

- Correct the interest income reported on the September 30, 2022 and any subsequently filed Section 251 FFRs.
- Implement procedures to ensure accurate reporting on future FFRs.

## **Virginia**

Scope: Election Security

No findings.

## **West Virginia**

Scope: Election Security and Section 251

### **Finding #1 – FFR Variances**

*Condition* – The interest reported on the September 30, 2022 Section 251 FFR was \$12,916 higher than the amount supported by the accounting records. The grantee did not have an explanation for this variance. Also, the grantee allocated \$7,244 of interest earned for September 2018 entirely to the Election Security grant, however, the fund balance on which the interest was calculated included Section 101 funds.

*Cause* – The grantee did not have an explanation for the variance.

*Recommendations:*

28. The EAC should work with the Grantee to:

- Determine the proper allocation of interest for September 2018 and to correct the September 30, 2022 and any subsequently filed Election Security and Section 251 FFRs.
- Implement procedures to ensure accurate reporting on future FFRs.

## **Wyoming**

Scope: Election Security

#### Finding #4 – Advances to Subgrantees

*Condition* – The grantee did not properly inform their subgrantees of the need to deposit the advanced funds into an interest-bearing bank account and report the amount of interest earned back to the grantee for inclusion in FFR reporting, if required.

*Cause* – The contracts that the grantee had subgrantees sign specifically stated that the funds should not be deposited into an interest-bearing account. The grantee stated that placing the funds into an interest-bearing account would create additional funding that was not approved.

*Recommendation:*

29. The EAC should work with the grantee to implement procedures to ensure that subgrantees are properly informed of the federal requirements related to interest income and the need for subgrantees to report interest income earned, if applicable.

#### Other Information

- The grantees noted above that did not have Section 251 funds included in the scope of the audit had close-outs of those grants prior to September 30, 2022.
- Kentucky, New Mexico, and South Carolina could not provide support for the interest transactions in the general ledger that were selected for testing, therefore, we could not determine whether the calculation of interest earned on HAVA funds was correct. New Mexico provided an example report from their State Treasurer’s office for August 2023 showing the average daily balance for that month.
- We noted a variance in the initial reconciliation of Oklahoma’s September 30, 2022 Election Security FFR. The interest reported on the FFR was \$8,092 lower than the amount per the accounting records. The grantee subsequently provided a copy of their September 30, 2023 Election Security FFR and a detail general ledger of interest income, and we were able to verify that the variance has been resolved.
- The audit discovered an error in the worksheet used by the District of Columbia Office of Finance and Resource Management to calculate interest earned on HAVA funds. The calculation used only five days rather than 30 days in June 2019, 2020, 2021, and 2022, resulting in a shortage of interest reported on the HAVA funds. The 2018 Election Security grant was received on June 26, 2018, therefore, the funds earned interest for 5 days in June 2018. The calculation worksheet did not change the number of days in the month of June in subsequent years. The grantee provided a revised September 30, 2023 FFR and revised interest calculations, and we were able to verify that the variance has been resolved.
- Our initial internal control review noted that New Mexico did not have written policies and procedures in place regarding the interest allocation and FFR reporting processes to ensure continuity in case of staff turnover. The grantee subsequently provided a Grant Management Policy and Procedures document which they are currently working on implementing.
- We noted that West Virginia provided advances of HAVA grant funds to subgrantees and did not have the subgrantees properly report amounts of interest earned. The contract between the grantee and the subgrantees required that the unspent portion of the subgrant remain in an interest-bearing account until the funds are either spent or returned to the grantee with accrued interest. The grantee tracked the amounts refunded by subgrantees

but did not differentiate between refunds of federal funds and amounts of interest earned on the funds, and subgrantees that did not return any unexpended funds did not report interest earned. However, the subgrantees were given 120 days to expend or return the grant funds, so any amounts of interest earned were likely to be insignificant.



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