

OFFICE OF INSPECTOR GENERAL

U.S. Election Assistance Commission

AUDIT OF THE ADMINISTRATION OF HELP AMERICA VOTE ACT GRANTS AWARDED TO THE STATE OF MICHIGAN

Report No. G23MI0031-24-13
August 15, 2024



HIGHLIGHTS

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

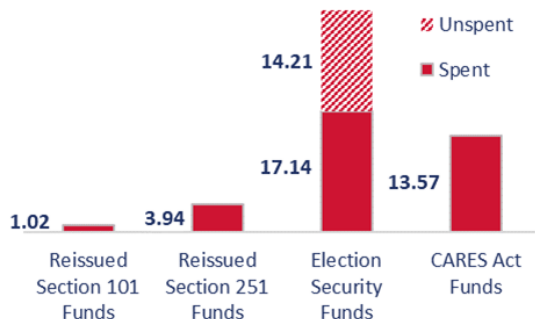
Report No. G23MI0031-24-13

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What Was Audited

The independent public accounting firm of Brown & Company CPAs and Management Consultants, PLLC, under contract with the Office of Inspector General, audited Help America Vote Act (HAVA) grants administered by the Michigan Department of State (MDOS), totaling \$49.88 million. This included federal funds, state matching funds, and interest and program income earned on the reissued Section 101, reissued Section 251, Election Security, and Coronavirus Aid, Relief, and Economic Security (CARES) Act grants.

Amounts Audited (Millions \$)



The **objectives** of the audit were to determine whether MDOS:

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

The audit also determined if proper closeout procedures were followed, as applicable.

What Was Found

The audit found that MDOS accounted for and expended the HAVA funds in accordance with applicable requirements, properly accounted for and controlled property purchased with HAVA funds, used the funds in a manner consistent with informational plans submitted to EAC, and followed proper procedures to close out the Section 101, Section 251, and CARES Act grants.

However, MDOS could improve its monitoring of subrecipients' management of grant-funded property.

What Was Recommended

The audit made one recommendation to improve grant administration:

- 1 Assess and update, if necessary, the office's policies and procedures for monitoring subrecipients to ensure that equipment purchased with federal funds is being used, managed, and disposed of in accordance with federal regulations.



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

DATE: August 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 the Administration of Help America Vote Act Grants Awarded to the State of Michigan (Report No. G23MI0031-24-13)

This memorandum transmits the final report on Help America Vote Act grants awarded to the State of Michigan. The Office of Inspector General contracted Brown & Company CPAs and Management Consultants, PLLC (Brown & Company), 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.

Brown & Company is responsible for the attached auditor's report dated August 13, 2024, and the conclusions expressed therein. While the Office of Inspector General coordinated and monitored Brown & Company's performance under the contract, we did not evaluate their adherence to standards and therefore do not express an opinion on the state's administration of grants.

Please keep us informed of the actions taken on the report's recommendation, as we will track the status of its 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

Administration of Payments Received Under the Help America Vote Act by the Michigan Department of State

Prepared for

**The United States Election Assistance Commission
Office of Inspector General**

By



BROWN & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS, PLLC

August 13, 2024

**Performance Audit Report
Administration of Payments Received Under the Help America Vote Act by
the Michigan Department of State**

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

EXECUTIVE SUMMARY

Brown & Company, CPAs and Management Consultants, PLLC (Brown & Company) was engaged by the United States Election Assistance Commission (EAC) Office of Inspector General (OIG) to conduct a performance audit of the administration of payments received under the Help America Vote Act of 2002 (HAVA) and Coronavirus Aid, Relief and Economic Security (CARES) Act by the Michigan Department of State (MDOS). The payments received by the State are identified as Section 101 (Reissued), Section 251 (Reissued), Election Security, and CARES Act. The scope of the audit includes:

- Section 101 (Reissued) – From October 1, 2018 through January 12, 2022.
- Section 251 (Reissued) – From October 1, 2018 through June 24, 2021.
- Election Security administration from inception on April 17, 2018, through March 31, 2023.
- CARES Act – From March 28, 2020 through closeout on June 29, 2021.

The objectives of the audit were to determine whether the State 1) used funds for authorized purposes in accordance with applicable sections 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 reissued Section 101, reissued Section 251, and CARES Act grants.

In addition, the EAC 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, we concluded that the Michigan Department of State generally used the grant funds for authorized purposes, properly accounted for and controlled property purchased, and used the funds in a manner consistent with informational plans submitted to EAC. In addition, we concluded that proper closeout procedures were followed for Section 101, Section 251, and CARES Act grants. The only exception noted was that the MDOS could improve its monitoring of subrecipients' management of grant-funded property.

We have included the State's response in its entirety in this report as Appendix B.

BACKGROUND

The EAC was established by the Help America Vote Act of 2002 (HAVA, P.L. 107-252). EAC is an independent, bipartisan Commission charged with developing guidance to meet HAVA requirements, adopting voluntary voting system guidelines, and serving as a national clearinghouse of information on election administration.

EAC awards grants to states for various purposes in support of the states' administration of elections and activities related to elections. States may, and often do, award sub-grants to local jurisdictions, such as counties or municipalities, for authorized purposes. States may also purchase items on behalf of the localities. 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 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. The MDOS was required to submit a state plan to EAC, establish a state election fund, and appropriate and deposit a five percent matching contribution in the election fund.

To account for the payments, HAVA requires states to follow applicable state requirements and to maintain records that are consistent with sound accounting principles. State records must fully disclose the amount and disposition of the payments, identify project costs financed with the payments and with other sources, and facilitate an effective audit.

EAC requires states to follow other management requirements:

- Comply with the uniform administrative requirements for grants and cooperative agreements with state and local governments.
- Expend payments in accordance with cost principles for establishing the allowability of certain items of cost for federal participation issued by the Office of Management and Budget (OMB).
- Submit detailed annual financial reports on the use of Title I and Title II payments.

HAVA also authorizes the EAC or its representatives to audit and examine documents and records of states (and other entities which subsequently received HAVA payments from states) to determine whether payments were used in compliance with HAVA and whether any excess payments were made to states.

EAC has awarded a series of grants, as described below.

- An interim closeout of Section 101 and 251 Awards occurred on July 15, 2019, for transactions through September 30, 2018. Unexpended funds for Section 101 and 251 Awards were reissued for the period beginning October 1, 2018. Final closeout for the Reissued Section 101 award occurred on January 12, 2022, for the period ending September 30, 2021. Final closeout for the Reissued Section 251 award occurred on June 24, 2021, for the period ending September 30, 2020.
- The Consolidated Appropriations Act of 2018, 2020, and 2022 (Election Security), were for activities to improve the administrations of elections for Federal office, including to enhance election technology and end make election security improvements as authorized by Title 1, sections 101, 103, and 104 of HAVA.

The states were also required to provide matching funds as follows:

- 2018 – 5% matching funds
- 2020 and 2022 – 20% matching funds.
- CARES Act grants were emergency funds made available to states to prevent, prepare for, protect, and respond to the coronavirus for the 2020 Federal election cycle and had to be spent by December 31, 2020. The grant program expired on March 26, 2022. Final closeout of the CARES Act Award occurred on June 29, 2021.

The Section 101 Reissued, Section 251 Reissued, Election Security, 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 financial reports on the use of Title I 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 SF-425 submissions.
- Maintain documents and records subject to audit to determine whether payments were used in compliance with HAVA.

The Awardee – The Michigan Department of State (MDOS)

The HAVA funds were awarded to the MDOS. The MDOS prepares ballots, ensures accessibility of voting facilities, and qualifies and certifies the names of all federal and state candidates for ballot placement. Additionally, the MDOS maintains a database of registered voters, ensures compliance with HAVA, and explains election procedures.

HAVA Michigan Department of State Plans

Section 101 Reissued – The funds were used for election administration improvement and IT programming, including information technology, purchased services in accordance with Section 101.

Section 251 Reissued – The funds were used for election administration improvement and IT programming, including information technology, purchased services, training and research program in accordance with Section 251.

Election Security 2018 and 2020 Grants – The main objectives of the 2018 project, funded by HAVA, were for technology and security enhancements that were identified as priorities in the budget letter. The infrastructure and security improvement projects will enhance election systems at both the state level and the 83 cities and towns. The priorities included voting equipment replacement and upgrades, election auditing, voter registration systems and management, cybersecurity and Election Day operations improvements.

The main objectives of the 2020 project funded by HAVA, as set forth in the budget letter, were to continue technology and security enhancements. This included: ongoing maintenance and support for existing cybersecurity monitoring programs; online poll worker training; purchase of a DS-850 high-speed scanner and tabulator and high-speed signature verification equipment; mail ballot envelope industrial openers; E-poll book security; secure transmission of election results;

cyber-assessment and grants for local election administration and cybersecurity support; and training for local election officials.

Election Security 2022 Grant – The main objectives of the 2022 project funded by HAVA, as set forth in the budget letter, were to enhance the voter registration system, cybersecurity improvement projects, cybersecurity assessment and roadmap for the cities and towns, cybersecurity support, and training for local election officials.

CARES Act – The objectives of the 2020 CARES Act project funded by HAVA, as set forth in the budget letter, were to use the funds to prevent, prepare for, and respond to the coronavirus for the 2020 Federal election cycle. Funds were to be utilized to supplement state funding to implement the requirements of legislation, including reimbursement to the county boards of elections for eligible costs. Eligible costs included but were not limited to vote by mail printing, postage, and equipment; secure receptacles for the return of ballots; temporary elections staffing; cleaning supplies; and protective masks and equipment.

AUDIT OBJECTIVES

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

1. Used funds for authorized purposes in accordance with applicable sections 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.

We also determined if proper closeout procedures were followed for the reissued Section 101, reissued Section 251, and CARES Act grants.

SCOPE AND METHODOLOGY

Section 101 Reissued, Section 251 Reissued, Election Security, and CARES Act

We audited the Section 101 grant funds expended by the MDOS from October 1, 2018, through closeout on January 12, 2022.

We audited the Section 251 grant funds expended by the MDOS from October 1, 2018, through closeout on June 24, 2021.

We audited the Election Security grant funds received and expended by the MDOS from April 17, 2018 through March 31, 2023. These funds are related to the following:

- Appropriation of \$380 million under the Consolidated Appropriations Act (CAA), 2018 (P.L. 115-151);
- Appropriation of \$425 million under the CAA, 2020 (P.L. 115-141); and
- Appropriation of \$75 million under the CAA, 2022 (P.L. 117-103).

We audited the CARES Act grant funds received and expended by the MDOS from March 28, 2020, through closeout on June 29, 2021. These funds are related to the \$400 million authorized by the U.S. Congress under the Coronavirus Aid, Relief and Economic Security Act (P.L. 116-136).

The scope of activity audited is shown in the following table:

Description	Reissued Section 101	Reissued Section 251	Election Security	CARES Act
Funds Received from EAC	\$ 0	\$ 39,770	\$26,309,809	\$11,299,561
Match Funds - State	0	2,093	3,655,913	2,259,913
Program Income - Fed	985,145	3,819,418	0	14,676
Interest Income - State	38,657	77,436	1,380,518	0
Total Funds	1,023,802	3,938,717	31,346,240	13,574,150
Less: Disbursements	1,023,802	3,938,717	17,135,944	13,574,150
Fund Balance	\$ 0	\$ 0	\$14,210,296	\$ 0

The MDOS Section 101 and Section 251 expenditures detailed by budget and program category are included in Appendix D and Appendix E, respectively. The Election Security expenditures are included as Appendix F. The CARES Act expenditures are included in Appendix G.

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 Environment	Demonstrate integrity and ethical values Enforce accountability
	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

Objective	Component	Principle
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 did not identify deficiencies that we believe could affect the MDOS’s ability to use funds for authorized purposes, and properly account for and control property. The internal control deficiency we found is 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 objectives. The audit methodology detailed by internal control principles are included in Appendix C.

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, except for the matter discussed below, we concluded that the MDOS accounted for and expended the HAVA funds in accordance with the requirements mentioned above, properly accounted for and controlled property purchased with HAVA payments, used the funds in a manner consistent with informational plans submitted to EAC; and followed the proper procedures to close out the Section 101, Section 251, and CARES Act grants.

Finding No. 1 – MDOS Could Improve Monitoring of Subrecipient Property

The *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), at 2 CFR § 200.313(b), states that a state must use, manage and dispose of equipment acquired under a federal award by the state in accordance with state laws and procedures.

At 2 CFR 200.332(d), the Uniform Guidance also 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.”

To that end, MDOS requires its subrecipients to develop a control system to ensure adequate safeguards to prevent loss, damage or theft of the property, and to perform a physical inventory of property and reconcile the results with the property records, at least once every two years. However, MDOS did not monitor subrecipient property records to ensure that they were maintained in compliance with the Uniform Guidance and state requirements.

Auditors visited four Michigan subrecipients that had received property with grant funds. There were no issues identified at three of the selected subrecipients. At the fourth subrecipient, property was difficult to locate because the records provided by the state contained faulty serial number information that was provided by the vendor. Additionally, documentation to support the reconciliation of property records was not available.

All property selected for testing was eventually located, MDOS reports that it has updated its property records, and the subrecipient has committed to maintaining documentation that supports compliance with award requirements going forward. However, improved monitoring of subrecipients' property records will help to ensure that property purchased with federal funds is being used, managed, and disposed of accordance with federal regulations.

Recommendation – We recommend that EAC coordinate with MDOS to assess and update, if necessary, the office's policies and procedures for monitoring subrecipients to ensure that equipment purchased with federal funds is being used, managed, and disposed of in accordance with federal regulations.

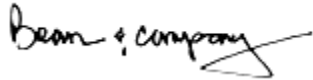
MDOS's Response – The Department acknowledges the audit finding and agrees that while they currently receive signed certifications from subrecipients regarding biennial physical inventories of federally funded equipment, additional verification steps could be implemented. They believe the inventories are being conducted during annual voting equipment maintenance but recognize the need for improved monitoring. As a corrective action, the Department commits to collaborating with the EAC to review and potentially update their policies and procedures for subrecipient monitoring, ensuring proper use, management, and disposal of federally funded equipment in compliance with federal regulations.

Auditor's Response – We appreciate the Department's acknowledgment of our finding and agreeing to improving their subrecipient monitoring processes. While the current practice of obtaining signed certifications is a positive step, we maintain that it is insufficient to ensure compliance with federal regulations regarding equipment management.

The EAC responded on July 30, 2024, and their response is included as Appendix A. The MDOS responded on July 29, 2024, and their response is included in Appendix B.

Brown & Company performed the related audit procedures between September 21, 2023 and August 7, 2024.

Brown & Company CPAs and
Management Consultants, PLLC

A handwritten signature in black ink that reads "Brown & Company". The signature is written in a cursive, flowing style.

August 13, 2024
Greenbelt, MD

**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 Dreyer, Acting Inspector General

FROM: Brianna Schletz
Executive Director

Handwritten signature of Brianna Schletz.

DATE: July 30, 2024

RE: Response to Draft Audit Report of Grants Awarded to the Michigan Department of State,
OIG Report No. G23MI0031-24-XX

Thank you for the opportunity to respond to the OIG draft audit of HAVA funds awarded to the Michigan Department of State (MDOS). This response serves as the EAC's management decision. The scope of the audit included HAVA Sections 251, 101 Election Security, 101 Election Improvement, and CARES grants. The EAC Office of Grants Management (OGM) would like to highlight the MDOS's successful audit, resulting in only one finding. The EAC OGM describes our management decisions related to the finding and recommendations below.

Finding #1, Recommendation #1, Improve Monitoring of Subrecipient Property: The auditors found that the MDOS did not monitor subrecipients' property inventory and records to ensure they were maintained in compliance with the Uniform Guidance and Michigan State requirements. The auditors recommend:

1. That the EAC coordinate with MDOS to assess and update, if necessary, the office's policies and procedures for monitoring subrecipients to ensure that equipment purchased with federal funds is being used, managed, and disposed of in accordance with federal regulations.

Management Decision:

OGM notes that the auditors did not find any errors in the subrecipient inventory. Further, in discussing the finding and recommendations with the MDOS, the EAC OGM found there is adequate controls requested for property inventory through annual certified subrecipient reporting which details activities and expenses, including capital equipment purchased, provided by the local entities directly to the MDOS. Though the MDOS expects local entities to maintain and reconcile their individual inventory records, among the 1400 local entities who requested reimbursement for equipment, it should be noted the overwhelming majority did comply with MDOS internal policies. OGM concurs that the audit did find in the noted samples that physical inventory was not reconciled with property records once every two years, in accordance with internal MDOS policy and 2CFR.

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**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

In response to recommendation one, the OGM will work with the MDOS to assess and update procedures for the local entities to document the reconciliation of physical inventory and property records at least once every two years, in accordance with the MDOS grant agreement.

The EAC expects to review the actions and documentation provided by the state by December 31, 2024.

**Response of the
Michigan Department of State
to the Draft Report**



STATE OF MICHIGAN
JOCELYN BENSON, SECRETARY OF STATE
DEPARTMENT OF STATE
LANSING

DATE : July 29, 2024
TO: U.S. Election Assistance Commission, Acting Inspector General, Sarah Dreyer
FROM: Michigan Department of State, Director of Elections, Jonathan Brater
s/ Jonathan Brater
SUBJECT: Response to Audit of the Help America Vote Act Grants Awarded to the State of Michigan

Thank you for the opportunity to respond to the draft audit report of the Help America Vote Act grants awarded to the State of Michigan. We are pleased that the only finding is minor and can be resolved quickly. Please let us know if any additional information is needed in response to this audit.

Finding No. 1 – MDOS Could Improve Monitoring of Subrecipient Property

Recommendation:

We recommend that EAC coordinate with MDOS to assess and update, if necessary, the office's policies and procedures for monitoring subrecipients to ensure that equipment purchased with federal funds is being used, managed, and disposed of in accordance with federal regulations.

Management Response:

The Department agrees with this finding. As stated in the audit report, the Department receives a signed certification from our subrecipients stating that they will perform a physical inventory of the federally funded equipment at least once every two years. It is our belief that this is happening as part of their annual voting equipment maintenance process. However, we agree that additional steps could be taken by the Department to confirm that this is the case.

Corrective Action:

The Department will work with the EAC to assess and update, if necessary, our policies and procedures for monitoring subrecipients to ensure that equipment purchased with federal funds is being used, managed, and disposed of in accordance with federal regulations.

Anticipated Completion Date: December 31, 2024
Responsible Individuals: Cindy Paradine and Chad Bassett

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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 MDOS. 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 considered the following principles from the “Standards for Internal Control in the Federal Government” (GAO-14-704G) as significant.

For the audit objective of ensuring proper use and management of the funds in line with the specified regulations and guidelines, we consider the following as significant controls:

Objective 1

Control Environment

The Control Environment principles emphasize the importance of upholding high standards of integrity and ethical behavior among an organization's leadership and staff. It is crucial to enforce accountability through clearly defined expectations and responsibilities, ensuring that everyone in the organization adheres to ethical principles and is held responsible for their actions. This creates a foundation of trust and reliability within the organization.

Control Activities

Control activities are essential for ensuring that funds are used correctly and in compliance with their intended purposes. These activities involve selecting and developing specific controls, including general controls over technology, and implementing them through well-defined policies and procedures. Such measures are crucial for preventing and detecting the misuse of funds, thereby safeguarding the integrity of financial operations.

Information and Communication

The Information and Communication component emphasizes the use of accurate, accessible, and comprehensible information about fund usage. Effective internal communication among team members and external communication with stakeholders are critical. This ensures transparency

and accountability, helping all involved parties to stay informed and aligned with financial practices and objectives

Objective 2

For the audit objective of help ensure that assets acquired with grant funds are adequately recorded, safeguarded, and used in accordance with federal guidelines and the specific requirements of HAVA, we consider the following as significant controls:

Control Activities

Control activities play a crucial role in asset management by ensuring proper implementation of measures such as record-keeping, inventory controls, and other relevant procedures. These activities include selecting and developing specific controls and technological safeguards, which are then systematically deployed through well-established policies and procedures. This approach helps in effectively tracking and managing physical assets, ensuring they are safeguarded and used appropriately.

Information and Communication

The Information and Communication component stresses the importance of maintaining and sharing accurate and reliable information about the acquisition, use, and disposal of assets. It is crucial to ensure that all relevant personnel are well-informed to perform their duties effectively, and that external stakeholders, like auditors, receive transparent and precise data. This facilitates accountability and operational efficiency.

Objective 3

For the audit objective of ensuring that funds were used in a manner consistent with the informational plans provided to the EAC, we considered the following as a significant control:

Control Activities

Control activities are essential for ensuring compliance with approved informational plans and include the selection and development of specific controls, particularly those related to technology. These activities are systematically implemented through established policies and procedures that ensure thorough documentation and necessary approvals for expenditures and activities. This structured approach helps maintain alignment with organizational goals and regulatory requirements.

To implement our audit methodology, we performed the following audit procedures:

- Interviewed the appropriate MDOS 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 as they relate to the administration of HAVA programs.
- Reviewed policies, procedures and regulations for the MDOS office management and accounting systems as they relate to the administration of the HAVA funds.
- Gained an understanding of the relevant information systems control, as applicable.
- Analyzed the inventory lists of equipment purchased with HAVA funds.
- Tested major purchases and supporting documentation and tested randomly sampled payments made with HAVA funds.
- Observed the physical security/safeguards of selected equipment purchased with HAVA funds and ensured compliance with federal regulations.
- Verified support for reimbursements to counties.
- Conducted site visits of selected cities and towns to observe physical security/safeguard of equipment purchased with HAVA funds and to test for proper accounting and documentation.
- Reviewed certain state laws that impacted the election fund.
- Verified that the appropriate match requirement was met and, if so, that matching expenditures met the prescribed criteria and allowability requirements.
- Evaluated compliance with the requirements for accumulation of financial information reported to the EAC on the federal financial reports.
- Verified the establishment and maintenance of an election fund.
- Verified interest income was properly accounted for and deposited to the HAVA fund and if so, that interest expenditures met the prescribed criteria and allowability requirements.
- Confirmed that the MDOS generated program income for Section 101 (reissued), Section 251 (reissued) and the CARES Act grants. Determined that program income was properly accounted for and, if so, program income expenditures met the prescribed criteria and allowability requirements.

**Section 101 Expenditures by Budget Category and Program Category
October 1, 2018 through January 12, 2022
(Unaudited)**

<u>Budget Categories</u>	<u>Program Categories</u>					<u>Total</u>
	<u>Election Admin Improvements - IT Programming</u>	<u>Title III Req - Electronically Remove Voters from QVF</u>	<u>Title III Req - Store The Last Digits of SSN In QVF</u>	<u>Training - Improve Election Training/Program</u>	<u>Others</u>	
Info Technology - Purchased Services	\$ 826,549	\$ -	\$ -	\$ 3,317	\$ -	\$ 829,866
Other Purchased Services	-	1,656	7,196	-	-	8,852
Other Grants/Pmts to Local Units - Subrecipient	-	-	-	-	-	-
Purchased Services - From Another Department	-	-	-	-	15,000	15,000
Supplies, Printing, Postage, Mailing Services	-	47,017	-	-	-	47,017
Travel and Lodging	-	-	-	-	-	-
Temporary Employee Services	-	-	-	-	-	-
All Other Costs	-	-	-	-	-	-
Total Direct Costs	826,549	48,673	7,196	3,317	15,000	900,735
Indirect Costs	112,977	6,620	979	451	2,040	123,067
Total Federal Expenditures	939,526	55,293	8,174	3,768	17,040	1,023,802
Non Federal Match	-	-	-	-	-	-
Total Program Expenditures	\$ 939,526	\$ 55,293	\$ 8,174	\$ 3,768	\$ 17,040	\$ 1,023,802

APPENDIX E

Section 251 Expenditures by Budget Category and Program Category
 October 1, 2018 through March 31, 2023
 (Unaudited)

Budget Categories	Program Categories									Total
	Election Admin Improvements - Electronic Pollbooks	Election Admin Improvements - IT Programming	Title III Req - Electronically Remove Voters from QVF	Title III Req - HAVA Digitized Signatures	Title III Req - Store The Last Digits of SSN In QVF	Training & Research Program	Voter Education - Information Center	Voting Equipment - Replace Equipment	Others	
Info Technology - Purchased Services	\$ 118,872	\$ 3,125,527	\$ -	\$ -	\$ -	\$ -	\$ 7,934	\$ -	\$ -	\$ 3,252,333
Other Purchased Services	-	-	11,481	8,497	11,568	67,606	-	-	-	99,151
Other Grants/Pmts to Local Units - Subrecipient	-	-	-	-	-	-	-	18,876	-	18,876
Purchased Services - From Another Department	-	-	5,099	-	-	-	-	-	29,322	34,421
Supplies, Printing, Postage, Mailing Services	-	-	50,479	-	-	-	-	-	-	50,479
Travel and Lodging	-	-	-	-	-	-	-	-	-	-
Temporary Employee Services	-	-	-	-	-	-	-	-	-	-
All Other Costs	-	-	-	-	-	-	-	-	-	-
Total Direct Costs	118,872	3,125,527	67,059	8,497	11,568	67,606	7,934	18,876	29,322	3,455,260
Indirect Costs	16,975	439,440	9,490	1,197	1,627	9,505	1,100	-	4,124	483,457
Total Federal Expenditures	135,847	3,564,967	76,548	9,694	13,194	77,111	9,034	18,876	33,446	3,938,718
Non Federal Match	-	-	-	-	-	-	-	-	-	-
Total Program Expenditures	\$ 135,847	\$ 3,564,967	\$ 76,548	\$ 9,694	\$ 13,194	\$ 77,111	\$ 9,034	\$ 18,876	\$ 33,446	\$ 3,938,718

**Election Security Expenditures by Budget Category and Program Category
April 17, 2018 through March 31, 2023
(Unaudited)**

Budget Categories	Program Categories								Total
	Voting Equipment	Voting Processes	Voter Registration Systems	Election Auditing	Cyber and Physical Security	Communication	Subgrants	Supplies & Others	
Info Technology - Purchased Services	\$ -	\$ 249,406	\$ 2,627,502	\$ 264,442	\$ 944,000	\$ -	\$ -	\$ -	\$ 4,085,350
Other Purchased Services	-	-	8,550	27,143	236,415	165,708	-	-	437,816
Other Grants/Pmts to Local Units - Subrecipient	192,099	808,129	-	-	4,259,647	-	915,797	-	6,175,673
Purchased Services - From Another Department	-	-	35,675	-	29,286	-	-	-	64,961
Supplies, Printing, Postage, Mailing Services	-	-	462,950	-	-	-	-	411,030	873,980
Travel and Lodging	-	-	-	-	7,014	-	-	-	7,014
Temporary Employee Services	-	-	174,122	-	-	-	-	-	174,122
All Other Costs	-	-	296,427	-	460,231	-	-	-	756,658
Total Direct Costs	192,099	1,057,536	3,605,225	291,586	5,936,593	165,708	915,797	411,030	12,575,573
Indirect Costs	-	21,805	616,222	30,435	157,427	-	-	55,223	881,111
Total Federal Expenditures	192,099	1,079,341	4,221,447	322,020	6,094,020	165,708	915,797	466,253	13,456,685
Non Federal Match	-	1,219,864	1,760,973	12,642	597,422	8,282	56,775	23,303	3,679,260
Total Program Expenditures	\$ 192,099	\$ 2,299,205	\$ 5,982,419	\$ 334,662	\$ 6,691,441	\$ 173,990	\$ 972,572	\$ 489,555	\$17,135,944

Payments to Subrecipient - Voting Equipment	
Name of Cities and Municipalities	Election Security
CITY OF DETROIT	\$ 149,908
CITY OF ROYAL OAK	20,027
COUNTY OF OTTAWA	19,643
TOWNSHIP OF BYRON	2,521
CHARTER TOWNSHIP OF BLOOMFIELD	-
CHARTER TOWNSHIP OF REDFORD	-
CITY OF AUBURN HILLS	-
CITY OF FARMINGTON HILLS	-
CITY OF MONTAGUE	-
CITY OF NOVI	-
TOWNSHIP OF COMMERCE	-
TOWNSHIP OF PUTNAM	-
Subtotal	\$ 192,099

CARES Act Expenditures by Budget Category and Program Category
March 28, 2020 through June 29, 2021
(Unaudited)

Budget Categories	Program Categories					Total
	Staffing	Voting Processes	Communication	Subgrants	Supplies & Others	
Info Technology - Purchased Services	\$ -	\$ 519,166	\$ -	\$ -	\$ -	\$ 519,166
Other Purchased Services	-	-	291,515	-	-	291,515
Other Grants/Pmts to Local Units - Subrecipient	-	209,049	-	267,810	-	476,859
Purchased Services - From Another Department	-	-	-	-	-	-
Printing, Postage, and Mailing Services	-	2,094,677	5,151,749	-	12,237	7,258,663
Travel and Lodging	-	-	-	-	-	-
Temporary Employee Services	2,935	-	-	-	-	2,935
All Other Costs	-	-	-	-	1,655,362	1,655,362
Total Direct Costs	2,935	2,822,892	5,443,264	267,810	1,667,599	10,204,500
Indirect Costs	407	123,861	754,340	-	231,129	1,109,737
Total Federal Expenditures	3,342	2,946,753	6,197,603	267,810	1,898,728	11,314,237
Non Federal Match	-	2,259,913	-	-	-	2,259,913
Total Program Expenditures	\$ 3,342	\$ 5,206,666	\$ 6,197,603	\$ 267,810	\$ 1,898,728	\$ 13,574,150



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