

OFFICE OF INSPECTOR GENERAL

U.S. Election Assistance Commission

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

Report No. G23NJ0033-24-12
August 12, 2024



HIGHLIGHTS

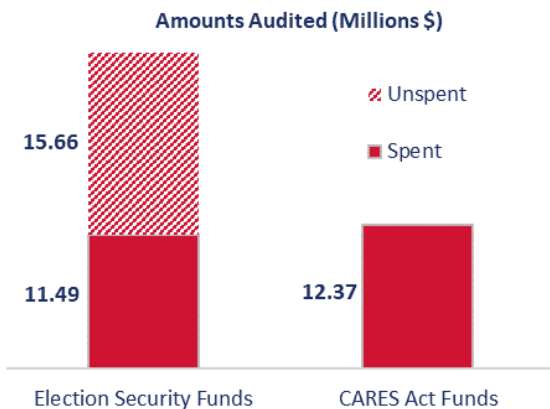
AUDIT OF THE HELP AMERICA VOTE ACT GRANTS AWARDED TO THE STATE OF NEW JERSEY

Report No. G23NJ0033-24-12

August 12, 2024

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 New Jersey Department of State, totaling \$39.52 million. This included federal funds, state matching funds, and interest earned on the Election Security and Coronavirus Aid, Relief, and Economic Security (CARES) Act grants.



The **objectives** of the audit were to determine whether the New Jersey Department of State:

- (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 for the CARES Act funds.

What Was Found

The audit found that the New Jersey Department of State generally used funds for authorized purposes and in a manner consistent with informational plans submitted to EAC, and followed proper closeout procedures for the CARES Act grant.

However, there were two exceptions: (1) 35 percent of invoices examined were missing evidence of approvals required by Department of State policy, and (2) several counties that purchased equipment with HAVA funds either did not have inventory lists or the lists were incomplete or inaccurate.

What Was Recommended

The New Jersey Department of State has already implemented procedures to address the first finding, so the audit did not make an additional recommendation. A recommendation was made to address the second finding:

- 1 Implement procedures to ensure property purchased with federal funds is used, managed, and disposed of properly.



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

DATE: August 12, 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 New Jersey (Report No. G23NJ0033-24-12)

This memorandum transmits the final report on Help America Vote Act grants awarded to the State of New Jersey. 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 9, 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 New Jersey 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 9, 2024

Performance Audit Report
Administration of Payments Received Under the Help America Vote Act by
the New Jersey 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 New Jersey 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 to conduct a performance audit of the 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 New Jersey Department of State (DOS). The payments received by the DOS are identified as Election Security, Section 101, Section 251, and the CARES Act. The scope of the audit includes:

- Election Security – April 17, 2018 through March 31, 2023;
- CARES Act – April 28, 2020 through closeout March 3, 2023.

The objectives of the audit were to determine whether the DOS 1) used funds for authorized purposes in accordance with applicable sections of HAVA and other applicable requirements; 2) properly accounted for and controlled the property purchased with HAVA payments; and 3) used the funds in a manner consistent with the informational plans provided to EAC. The audit also determined if proper closeout procedures were followed for the CARES Act funds.

In addition, 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 DOS used funds for authorized purposes and in a manner consistent with informational plans provided to EAC. In addition, we concluded that closeout procedures were properly followed for the CARES Act grant. However, the DOS did not account for Grant funds in accordance with all applicable requirements or properly control all property purchased. The exceptions are described as follows:

1. The DOS could not provide evidence of the CFO's approval for reimbursements to counties, in accordance with DOS procedures, during COVID.

2. Some equipment, purchased by counties with federal funds, were not adequately tracked.

In this report, we included the DOS's written response to the draft report as Appendix B. DOS's written response has not been subjected to audit procedures and, accordingly, we do not provide any form of assurance on the appropriateness of the response, or the effectiveness of the corrective actions described therein.

BACKGROUND

The 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.

Title I, Section 101 payments are for activities such as complying with HAVA requirements for uniform and nondiscriminatory election technology and administration requirements (detailed in Title III of HAVA); improving the administration of elections for Federal office; educating voters; training election officials and poll workers; and developing a state plan for administration of Section 251 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 can use.

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 Federal cost principles established by the OMB – (2 C.F.R. § 200).
- Follow the requirements of the Federal Cash Management Improvement Act.
- 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 been awarded a series of grants, as described below.

- 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.

The 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 annual 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 annual SF-425 submission.
- Maintain documents and records subject to audit to determine whether payments were used in compliance with HAVA.

The Awardee – The New Jersey Department of State

The HAVA funds were awarded to the DOS. The DOS is responsible for overseeing elections, managing business registrations, and maintaining official state records. The Division of Elections is responsible for managing all election-related activities in the state. It oversees voter registration, candidate qualifications, ensuring that political parties and independent candidates have fair and equal access to the ballot for elections, election security, and the certification of election results. The Division of Administration oversees various administrative functions including human resources, budget and finance, facilities management, information technology, legal affairs, policy development, and public relations and communications. It plays a crucial role in supporting the overall functioning of the DOS office and ensuring that administrative processes are efficient, effective, and compliant with legal and regulatory requirements.

HAVA State of New Jersey State Plans

Election Security 2018 and 2020 Grants – The main objectives of the 2018 and 2020 projects funded by HAVA, as set forth in the budget letter, were to improve the administration of elections for Federal office, including enhancing election technology security improvements.

The focus of the 2022 project funded by HAVA, as set forth in the budget letter, was the constant threat of Mis-, Dis-, and Malinformation, educational programs, and educational materials.

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 coronavirus domestically or internationally, for the 2020 Federal election cycle. The funds were to be used toward supplies, personal protective equipment for poll/board workers, tabulation equipment, and more personnel to process vote-by-mail ballots.

AUDIT OBJECTIVES

The objectives of our audit were to determine whether DOS:

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 CARES Act funds.

SCOPE AND METHODOLOGY

We audited the Election Security grant funds received and expended by the DOS 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.

We audited the CARES Act grant funds received and expended by the DOS from April 28, 2020, through closeout March 3, 2023. These funds are related to the \$400 million authorized by the U.S. Congress under the Coronavirus Aid, Relief and Economic Security Act (P.L. 116-136).

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

Description	Election Security	CARES Act
Funds Received from EAC	\$24,065,815	\$10,296,913
State Matching Funds	2,684,517	2,059,383
Interest Income	403,053	14,683
Total Funds	\$27,153,385	\$12,370,979
Less Disbursements	11,489,322	12,370,979
Fund Balance	\$15,664,063	\$ 0

The DOS Election Security expenditures detailed by budget and program category are included as Appendix D. The DOS CARES Act expenditures detailed by cost category are included as Appendix E.

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
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 DOS’s ability to use funds for authorized purposes and properly account for and control property.

Additionally, for the components and principles which we determined to be significant, we assessed the internal controls and compliance with laws and regulations necessary to satisfy the audit objective. 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, we concluded that the DOS generally used funds for authorized purposes and in a manner with informational plans provided to EAC. In addition, we concluded that closeout procedures were properly followed for the CARES Act grant. However, the DOS did not account for all Grant funds in accordance with all applicable requirements or properly control all property purchased. The exceptions are described below.

FINDINGS AND RECOMMENDATIONS

Finding 2024-01 – Missing Evidence of Approvals Required by DOS Procedures

Condition

During our on-site fieldwork, we found no documentation of DOS approval for invoices before payment processing. Our examination of 26 invoices showed that 35% were processed and paid without any DOS approval. According to discussions with the DOS point of contact, the former Chief Financial Officer (CFO) approved these invoices via email. Therefore, evidence of approval could not be retrieved. We noted that counties documented their approval on the “HAVA Grant Application for Reimbursement” form and attached the supporting documents before submission for DOS reimbursements. However, the DOS could not provide documentation of its approval before payment processing.

Criteria

Payments must comply with all applicable laws and regulations, including federal cost principles and administrative requirements as outlined in 2 CFR Part 200, Uniform Guidance. The processing of payments for invoices must be authorized by a designated official. This authorization must be documented and retained to provide a clear audit trail that supports the legitimacy and appropriateness of transactions. Per the DOS “*County Grant Application for Reimbursement Approval Process*” or *New Jersey Department of State, Division of Elections Workflow Procedures for Federal Election Security Grant*, the Division of Elections Grant Manager is responsible for complete a final review of the reimbursement package. Upon approval, create a sign a fiscal action request (FAR). Submit complete reimbursement package and FAR to Election Coordinator for secondary review and approval.” In addition, the Division of Administration is responsible for reviewing reimbursement packages for accuracy and execute required approvals.

Cause

While staff were working remotely during COVID, the former CFO approved the invoices for payments via email. The DOS could not locate those emails or provide evidence of approvals.

Effect

Although the supporting documents evidence that the expenses are allowable, allocable, and reasonable, the absence of proper approval documentation undermines the integrity of the DOS’s financial management system and increases the risk of unauthorized or fraudulent payments. This lack of control could lead to financial losses and increase scrutiny and potential compliance issues.

Recommendation

On July 7, 2023, which is after the scope of our audit, the new Chief Financial Officer distributed new operating procedures to DOS employees for submitting and approving fiscal action requests. If followed, these procedures should address the issues noted. Therefore, the audit makes no recommendation.

Finding 2024-02 – Absence of Adequate Equipment Inventory Tracking

Condition

During our on-site fieldwork at the DOS, we encountered delays in obtaining necessary equipment inventory lists from several counties, which hindered our ability to conduct physical inspections. Specifically, 3 of 20 counties selected did not have equipment inventory lists readily available. In another county, the equipment inventory list was incomplete. This county was unable to provide the inventory list for 12 voting machines purchased with HAVA grant funds in fiscal year 2020, as these machines had already been disposed of. No documentation about this disposal was available.

Additionally, we observed discrepancies in the equipment inventory reporting for the CARES Act grant closeout process. The DOS is required to submit a Certificate Letter including an inventory of equipment purchased with grant funds valued over \$5,000. However, the inventory list submitted to the EAC was found to be overstated by \$243,000. This discrepancy arose because a county, which had spent \$303,000 on a mail sorter, only claimed \$60,000 in reimbursement from the DOS, leading to inaccuracies in the reported inventory value.

Criteria

The Uniform Administrative Requirements, Cost Principle, and Audit Requirement for Federal Awards (Uniform Guidance), 2 CFR § 200.313(b), states:

“A state must use, manage and dispose of equipment acquired under a federal award by the state in accordance with state laws and procedures.”

Uniform Guidance, 2 CFR § 200.332(d), states:

“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.”

New Jersey Department of State Grant Unit Policies and Procedures – OMB Circular 07-05 Grant Agreements-Agency Contracts, states:

“Property Management Standards: Property furnished by the Department or acquired in whole or in part with Federal or Department funds or whose cost was charged to a project supported by Federal or Department funds shall be utilized and disposed of in a manner generally consistent with State and Federal requirements.”

In addition, New Jersey Department of State Grant Unit Policies and Procedures - OMB Circular 19-02 Annual Internal Control Reporting, states:

“Management should establish a monitoring system to evaluate the internal controls in place to ensure they are adequate and functioning correctly. Monitoring internal controls should be ongoing, with identified weaknesses or deficiencies communicated in a timely manner. Deficiencies that are not serious in nature must be reported to senior management and the

board. Corrective actions must be regularly monitored to ensure they are implemented timely and effectively.”

The NJ General Election 2020 Grant Program Application Guidelines, states:

“The State of New Jersey grants funds activities must be consistent with the laws described in Section 906 of HAVA and will not use the funds in a manner that is inconsistent with the requirements of Title III of HAVA. These funds will be distributed to the counties based on their grant application and availability of funds. Counties must follow the federal regulations 2 CFR 200.318 to 200.326 and 2 CFR 200 Appendix A to procure supplies or services for which they seek reimbursement.”

The Terms and Conditions for HAVA Funding clearly state:

“State (Grantee or Subgrantee) will use the funds provided under the Notice of Grant Award, Agreement# NJ18101001, for activities consistent with the laws described in Section 907 of HAVA and will not use the funds in a manner that is inconsistent with the requirements of Title III of HAVA.”

Cause

The primary issues identified can be attributed to frequent staff changes at the county level, resulting in a loss of internal control over managing equipment. This turnover has led to a lack of continuity and understanding regarding past actions, including the management and documentation of equipment purchased with HAVA grant funds. Furthermore, the DOS demonstrated inadequate controls for effectively monitoring the property and equipment procured by counties with the HAVA grant funds. DOS relies on the counties to maintain the equipment inventory tracking report.

Effect

Incomplete documentation raises concerns about the accuracy and completeness of the equipment list. Without proper documentation, the ownership and valuation of these assets cannot be adequately verified, increasing the risk of misstatement to the HAVA grant.

Improper tracking of equipment purchased with federal funds does not provide assurance that the equipment is being used and disposed of in accordance with federal regulations, state laws and procedures.

Recommendation

We recommend that EAC require the DOS to implement procedures to ensure property purchased with federal funds is used, managed, and disposed of properly.

DOS’s Response

DOS has concurred with our recommendation. DOS stated that they have initiated communication and training with county election offices regarding the requirements for the use, management, inventory, and disposal of equipment reimbursed with HAVA funds. Additionally, DOS stated that they are updating the HAVA grant application forms and guidelines to incorporate grant equipment

inventory requirements.

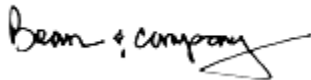
Auditor’s Response

We acknowledge the DOS concurrence with our recommendation regarding the improvement of equipment inventory tracking. The steps DOS will initiate to address these issues align with the necessary compliance requirements. The initiative to communicate and train county election offices on the federal EAC HAVA requirements is a critical step towards ensuring that all equipment reimbursed with HAVA funds is managed in compliance with federal standards. Updating the HAVA grant application forms and guidelines to include detailed inventory requirements enhances transparency and accountability. The inclusion of an Equipment Inventory form that must be completed, updated, and maintained by counties is a significant improvement.

EAC responded on July 11, 2024, and their response is included as Appendix A. The DOS responded on July 29, 2024, and their response is included as Appendix B.

Brown & Company performed the related audit procedures between September 18, 2023, and August 6, 2024.

Brown & Company CPAs and
Management Consultants, PLLC



August 9, 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

DATE: July 11, 2024

RE: Response to Draft Audit Report of Grants Awarded to the New Jersey Department of State, OIG Report No. G23NJ0033-24-XX

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

Finding #1, Recommendation #1 (2024-01), Missing Evidence of Approvals Required by DOS Procedures: On July 7, 2023, after the initial close of the OIG's audit, the Chief Financial Officer distributed updated operating procedures to NJDOS employees for submitting and approving fiscal action requests. If followed, these procedures should address the issues noted. Therefore, the final audit makes no recommendation related to finding #1.

Management Decision:

The OGM is grateful for the NJDOS's due diligence in providing supporting documentation that not only resolves finding and recommendation number one but also provides continued compliance with internal controls. The OIG's audit reflected the need for significant adaptability for payment processing during COVID, in order to maintain and continue operations related to HAVA grants. Though the internal guidance for the NJDOS did not afford the unforeseen changes the pandemic presented, the NJDOS found ways to document and ensure compliance in an unprecedented situation. Per the auditor's request, the NJDOS was able to pull numerous communications to support their efforts to ensure invoices were reviewed and approved before processing. As a result of the pandemic, the NJDOS revised their procurement policy and procedure. Based on the NJDOS response and updated guidance, the EAC does not seek additional follow up for this finding and recommendation.

Response of the
New Jersey Department of State
to the Draft Report



STATE OF NEW JERSEY
DEPARTMENT OF STATE
P.O. Box 300
TRENTON, NJ 08625-0300

PHILIP D. MURPHY
Governor

LT. GOVERNOR TAHESHA L. WAY
Secretary of State

July 29, 2024

Sarah Dreyer, Acting Inspector General
U.S. Election Assistance Commission, Office of Inspector General
633 3rd Street NW, Suite 200
Washington, D.C. 20001

Re: Response to New Jersey FY 2023 Grant Audit for HAVA and CARES Act Payments for the New Jersey Department of State

Dear Ms. Dreyer:

This letter is in response to your invitation to comment upon the draft report of a review conducted by your office assessing New Jersey's administration of Help America Vote Act (HAVA) and Coronavirus Aid, Relief and Economic Security (CARES) Act and compliance with certain HAVA requirements. The New Jersey Department of State (DOS), Division of Elections understands that this response will be included in your final report to the U.S. Election Assistance Commission. The following response addresses the report Finding 2024-02: Absence of Adequate Equipment Inventory Tracking that appears in the report.

Finding 2024-02: Absence of Adequate Equipment Inventory Tracking

Recommendation:

- We recommend that EAC require the DOC to implement procedures to ensure property purchased with federal funds is used, managed, and disposed of properly.

Response: DOS agrees with this finding. The NJ Division of Elections has begun communicating and training the county election offices specifically that all equipment reimbursed with HAVA funds must follow the federal EAC HAVA requirements available at www.eac.gov, which detail the use, management, inventory, and disposal of equipment. And, that the equipment must be used, maintained, and disposed of in a manner consistent with the standards outlined in 2 CFR 200.313 (b)(c)(d)(e) and will be subject to federal audit. In addition, updates have been made to our HAVA grant application forms and guidelines to reflect EAC HAVA Security grant equipment inventory requirements including the addition of an Equipment Inventory form that must be completed, updated, maintained and provided to the Division of Elections upon immediate request.

Thank you for the opportunity to comment upon your report.

Very Truly yours,

Donna Barber

Acting Director, New Jersey Division of Elections

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

Objective 1

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:

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 DOS 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 DOS 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 counties 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.
- We confirmed that the DOS did not generate any program income during the scope of our audit.

APPENDIX D

**ELECTION SECURITY EXPENDITURES BY BUDGET AND PROGRAM CATEGORY
APRIL 17, 2018 TO MARCH 31, 2023
(UNAUDITED)**

Budget Categories	Program Categories									Total
	Cyber Security	Physical Security	Training	Communication	Voter Registration	Voter Education	Election Auditing	ADA Compliance	Voting Equipment	
Personnel	\$ 919,852									\$ 919,852
Training										
Subgrants	90,559	163,748	247,426		304,124			79,736	5,092,043	5,977,636
All Other Costs	177,563		142,039	360,353	162,474	467,167		12,384	585,336	1,907,316
Total Direct Costs	\$ 1,187,975	\$ 163,748	\$ 389,466	\$ 360,353	\$ 466,598	\$ 467,167	\$ -	\$ 92,120	\$ 5,677,379	\$ 8,804,805
Indirect Costs (if applied)										
Total Federal Expenditures	\$ 1,187,975	\$ 163,748	\$ 389,466	\$ 360,353	\$ 466,598	\$ 467,167	\$ -	\$ 92,120	\$ 5,677,379	\$ 8,804,805
Non-Federal Match						2,684,517				2,684,517
Total Federal Expenditures	\$ 1,187,975	\$ 163,748	\$ 389,466	\$ 360,353	\$ 466,598	\$ 3,151,684	\$ -	\$ 92,120	\$ 5,677,379	\$ 11,489,322

SUBGRANT SPENDING BY PROGRAM CATEGORIES

County	Cyber Security	Physical Security	Training	Voter Registration	ADA Compliance	Voting Equipment	Total
Atlantic Co	\$ 9,269	\$ 8,940	\$ -	\$ 24,191	\$ 43,066	\$ 137,490	\$ 222,956
Bergen Co	-	-	1,160	96,095	-	59,606	156,861
Burlington Co	-	-	-	-	-	21,626	21,626
Camden Co	-	-	50,000	12,219	-	473,673	535,892
Cape May Co	-	-	-	-	-	281,529	281,529
Essex Co	-	-	48,910	-	-	-	48,910
Gloucester Co	-	-	50,000	-	-	126,702	176,702
Hudson Co	-	-	-	-	-	1,137,573	1,137,573
Hunterdon Co	-	-	-	2,845	30,486	30,497	63,828
Mercer Co	-	-	-	-	-	472,733	472,733
Middlesex Co	-	-	-	57,018	-	-	57,018
Monmouth Co	-	-	1,980	14,065	-	-	16,046
Morris Co	-	-	50,000	-	-	40,790	90,790
Ocean Co	-	-	-	-	-	1,124,721	1,124,721
Passaic Co	-	-	-	90,550	-	1,019,440	1,109,991
Somerset Co	-	-	-	7,140	-	-	7,140
Sussex Co	11,934	34,087	-	-	-	65,663	111,684
Union Co	69,357	107,921	45,376	-	6,184	100,000	328,837
Warren Co	-	12,800	-	-	-	-	12,800
Total Direct Costs	\$ 90,559	\$ 163,748	\$ 247,426	\$ 304,124	\$ 79,736	\$ 5,092,043	\$ 5,977,636
Indirect Costs (if applied)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Federal Expenditures	\$ 90,559	\$ 163,748	\$ 247,426	\$ 304,124	\$ 79,736	\$ 5,092,043	\$ 5,977,636

APPENDIX E

**CARES ACT EXPENDITURES BY COST CATEGORY
APRIL 28, 2020 TO MARCH 3, 2023
(UNAUDITED)**

Cost Category	Federal	Match	Total
COVID	\$ 10,296,913	\$ 2,074,066	\$ 12,370,979
Total CARES Expenditures	\$ 10,296,913	\$ 2,074,066	\$ 12,370,979



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