

OFFICE OF INSPECTOR GENERAL

U.S. Election Assistance Commission

AUDIT OF THE ADMINISTRATION OF HELP AMERICA VOTE ACT GRANTS AWARDED TO THE U.S. VIRGIN ISLANDS

Report No. G24VI0048-25-03
November 20, 2024



HIGHLIGHTS

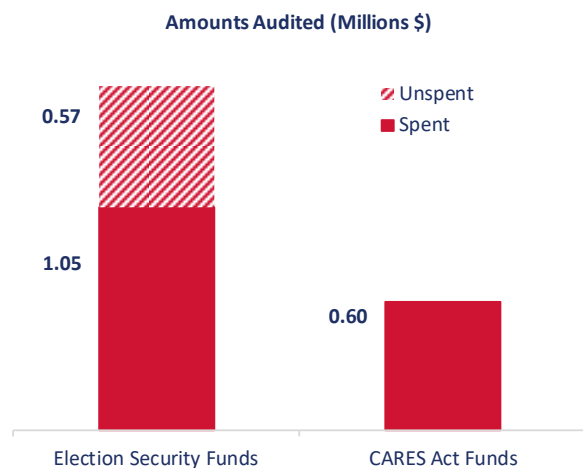
AUDIT OF THE HELP AMERICA VOTE ACT GRANTS AWARDED TO THE U.S. VIRGIN ISLANDS

Report No. G24VI0048-25-03

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What OIG Audited

The Office of the Inspector General (OIG) audited Help America Vote Act (HAVA) grants administered by the Election System of the Virgin Islands (ESVI), totaling \$2.2 million. This included federal funds, program income, and interest earned on the Election Security and Coronavirus Aid, Relief, and Economic Security (CARES) Act funds.



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

- (1) used funds for authorized purposes in accordance with Section 101 of HAVA and other applicable federal 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.

OIG also confirmed whether appropriate corrective actions were taken to address the deficiencies noted in an October 2013 OIG audit report.

What OIG Found

OIG found that ESVI generally used funds for authorized purposes, accounted for and controlled property purchased, used funds in a manner consistent with the plans provided to EAC, and took appropriate corrective actions to address prior deficiencies.

However, there were four exceptions (1) ESVI used grant funds for ineligible expenses, including get-out-the-vote activities; (2) ESVI continues to lack strong cash management controls; (3) ESVI did not consistently follow local procurement requirements; and (4) ESVI submitted late and inaccurate program and financial reports to EAC.

What OIG Recommended

OIG made five recommendations to improve grant administration:

- 1 Create policies and procedures to ensure the allowability of HAVA grant expenditures.
Determine the allowability of \$74,005 (\$32,105 Election Security; \$41,900 CARES Act) in ineligible costs and recover any amount that is unallowable.
- 2 Assess, and update as necessary, the policies and procedures in place to ensure that program income is accurately collected, deposited, recorded, expended, and reported.
- 3 Remind ESVI to adhere to its procurement policies and procedures.
- 4 Assess, and update as necessary, the policies and procedures in place to ensure the timely submission of federal financial and progress reports.

Based on actions already taken by EAC, recommendations 1, 3, and 5 are closed upon report issuance.



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

DATE: November 20, 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 U.S. Virgin Islands (Report No. G24VI0048-25-03)

This memorandum transmits the final report on the Audit of the Administration of Help America Vote Act Grants Awarded to the U.S. Virgin Islands. Our audit objectives were to determine whether the Election System of the Virgin Islands (ESVI) (1) used funds for authorized purposes in accordance with Section 101 of HAVA and other applicable requirements; (2) properly accounted for and controlled property purchased with EAC funds; and (3) used funds in a manner consistent with the informational plans provided to EAC. We also determined whether ESVI took appropriate correction actions to address deficiencies noted in OIG's October 2013 audit report. In finalizing the report, we considered your comments on the draft and included them in their entirety in Appendix C.

The report contains five recommendations. After reviewing information that you provided in response to the draft report, we acknowledge management's decisions on all five recommendations and consider three of the recommendations closed upon report issuance. Please keep us informed on progress to address recommendations 2 and 4 as we will track the status of their implementation.

We appreciate the courtesies and assistance provided by your staff during the audit.

cc: Commissioner Benjamin W. Hovland, Chair
Commissioner Donald L. Palmer, Vice Chair
Commissioner Thomas Hicks
Commissioner Christy McCormick

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Background

The Help America Vote Act of 2002 (HAVA)¹ was passed to modernize state voting systems and it authorizes federal funding for states to improve the administration of federal elections. The U.S. Election Assistance Commission (EAC) distributes and oversees funding appropriated under HAVA.

The U.S. Virgin Islands (USVI) received HAVA funding in fiscal years (FYs) 2018, 2020, 2022, and 2023 totaling \$1.6 million. USVI also received \$600,000 in Coronavirus Aid, Relief, and Economic Security (CARES) Act funds. In total, USVI received \$2.2 million, as described in Figure 1.

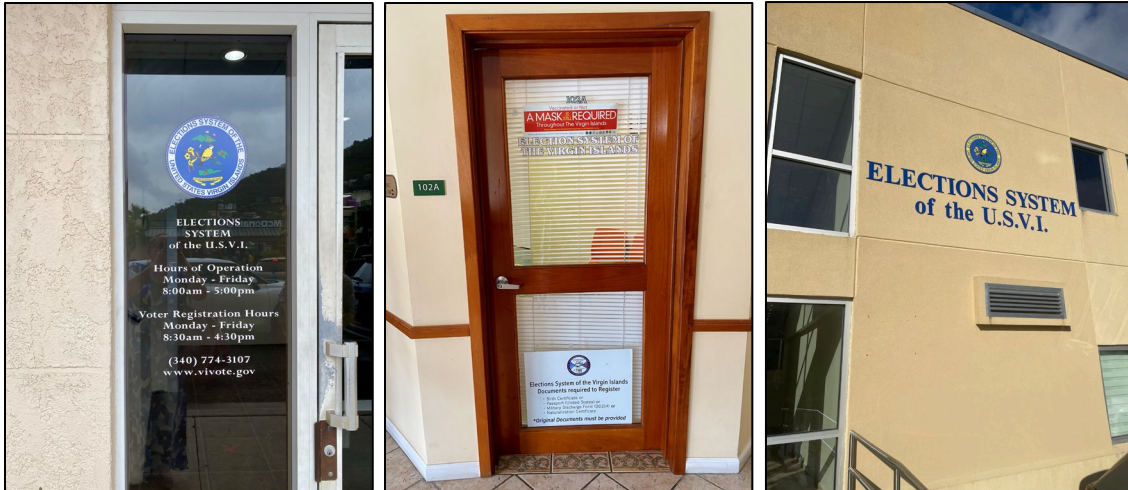
Figure 1. Grant Award Summaries

	Election Security Funds	CARES Act Funds
Award	EAC-ELSEC22VI-01-03 ^a	VI20101CARES
Amount	\$1,600,000	\$600,000
Project Period	03/23/2018 – Until funds are expended	3/28/2020 – 3/27/2022
Purpose	To improve the administration of elections for federal office, including to enhance election technology and make election security improvements.	To prevent, prepare for, and respond to coronavirus, domestically or internationally, for the 2020 federal election cycle.
Major Requirements	<ul style="list-style-type: none"> • Adhere to federal cost principles (2 CFR Part 200). • Adhere to financial reporting guidance. • Maintain funds, including interest earned and any net program income, in an election fund (Section 104(d) of HAVA). 	

^a This award combines the FY 2018 (USVI18101001), 2020 (VI20101001), 2022 (EAC-ELSEC18VI) and 2023 (EAC-ELSEC22VI) awards into a single Election Security grant.

EAC awarded these funds to the Election System of the Virgin Islands (ESVI), whose function is to administer the elections process in the territory. ESVI reported using Election Security grants to replace and upgrade voting equipment, update the voting registration system, manage cybersecurity risk and provide training, upgrade its website, employ a project manager, and generally support the election cycle. CARES Act funds were used to prevent, prepare for, and respond to coronavirus for the 2020 federal election cycle.

¹ Pub. L. No. 107-252 (October 29, 2002).



ESVI maintains offices on St. Thomas, St. John, and St. Croix, U.S. Virgin Islands. (Photos by EAC OIG, February 2024)

Audit Objectives

The objectives of the audit were to determine whether ESVI:

1. Used funds for authorized purposes in accordance with Section 101 of HAVA and other applicable federal requirements.
2. Properly accounted for and controlled property purchased with HAVA payments.
3. Used funds in a manner consistent with the informational plans provided to EAC.

Additionally, OIG followed up on whether ESVI took appropriate corrective actions to address deficiencies noted in an OIG October 2013 audit report.²

ESVI Has Improved Grant Administration

The October 2013 audit of ESVI “revealed an absence of basic internal controls,” and the report included findings related to deficiencies with payroll, procurement, internal controls, and property management, as well as late and inaccurate reporting and unreported program income. OIG made 20 recommendations to improve grant administration and questioned \$1.1 million in grant expenditures.

Based on the audit procedures performed, except for the matters discussed below, OIG concluded during this audit that ESVI generally used funds for authorized purposes in accordance with Section 101 of HAVA and other applicable federal requirements, properly accounted for and controlled property purchased, used funds in a manner consistent with the informational plans provided to EAC, and took appropriate corrective actions to address prior deficiencies.

OIG confirmed that ESVI had made significant improvements in its overall internal control environment and reviewed support that the following 11 recommendations had been addressed:

² U.S. Election Assistance Commission, Office of Inspector General, *Audit of the Election System of the Virgin Islands’ Compliance with the Help America Vote Act of 2002* ([E-HP-VI-01-13](#), October 2013).

1. Maintain documentation to support all payroll costs related to HAVA.
2. Certify payroll costs to ensure that HAVA funds are used properly.
3. Report program income earned for FY 2012 and future reporting periods.
4. Require the Joint Board of Elections to establish safeguards to mitigate the potential fraudulent use of the Imprest Fund Checking Account.
5. Immediately conduct a physical inventory to gain control of and account for equipment. The inventory should include property descriptions, serial numbers, identification numbers, source of property, acquisition dates, property locations, cost, and condition.
6. Conduct physical inventories at least once every 2 years and reconcile them to property records.
7. Reconcile any equipment previously disposed of and adhere to federal guidelines for future disposals.
8. Require the government of the Virgin Islands to maintain expenditures at the FY 2000 expenditure level as required by HAVA Section 254(a)(7).
9. Address the failure to meet established expenditure requirements through its audit resolution process.
10. Adhere to administrative complaint procedures in accordance with HAVA Section 402(a).
11. Maintain a complete complaint file that includes, at a minimum, all complaints, responses, records of hearings, and outcomes.

However, the audit also found that ESVI used grant funds for ineligible expenses (page 3), and that there is still work to be done related to cash management (page 4), procurement (page 6), and reporting (page 6). These exceptions are described under the headers below.

ESVI Used Grant Funds for Ineligible Expenses

2 CFR Section 200.403 states that, “Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards: (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.”

The audit identified \$74,005 of costs that did not meet these criteria, as described below.

Get-Out-The-Vote

HAVA prohibits grantees from using grant funding for certain activities. For example, HAVA Section 101 funds are limited to “Educating voters concerning voting procedures, voting rights, and voting technology.”³

The restriction is further described by EAC Funding Advisory Opinion FAO-08-005, which states that: “(n)either Section 101 nor 251 funds may be used to conduct voter registration drives or get out the vote efforts; including advertising for the event, setting up booths, and paying salaries of employees who register new voters.”⁴

However, ESVI spent \$19,569 of its Election Security grant funds and \$29,221 of its CARES Act grant funds on “Advertisement & Promotion” costs used for a series of online videos encouraging voting in the

³ Pub. L. No. 107-252, 116 Stat. 1666, 1668-70 (codified at 52 U.S.C.A. § 20901(b)(1)(C)).

⁴ [U.S. Election Assistance Commission Funding Advisory Opinion FAO-08-005](#).

2020 election. Because the primary purpose of these videos was to get-out-the-vote, we question the amount as unallowable.

Additionally, OIG identified four transactions, totaling \$300, where a stipend was paid for attendance at a voter registration drive with Election Security grant funds. This amount is also questioned as unallowable.

Catering

ESVI spent \$12,213 of its Election Security grant funds and \$12,680 of its CARES Act grant funds to feed poll workers in 2020 and 2021. These costs do not align with the purpose of the awards. The purpose of the Election Security awards was to improve the administration of elections for federal office, including to enhance election technology and make election security improvements, while the purpose of the CARES Act award was to prevent, prepare for, and respond to coronavirus, domestically or internationally, for the 2020 federal election cycle. Similar costs have been incurred by ESVI since the 1970s and financed with non-federal funds. Therefore, these costs are questioned as unallowable.

Travel

OIG identified a \$22 travel expense in which an employee was reimbursed for actual travel cost while also claiming the per diem, making the expense unreasonable.

The double travel reimbursement was an oversight that should have been caught and corrected before payment to the employee. However, ESVI considered the get-out-the vote and catering expenses allowable and did not have policies and procedures in place to obtain guidance from EAC.

When incurred, these costs must be paid with other sources of funds so that the full grant amounts are available for the achievement of grant objectives.

ESVI Continues to Lack Strong Cash Management Controls

Federal regulations encourage non-federal entities to earn program income to defray program costs where appropriate. EAC requires grantees that earn HAVA program income to maintain the funds in the interest-bearing election fund, expend the funds for costs allowable under HAVA, and report the amount of program income earned on federal financial reports.

ESVI collects a \$25 fee for providing voters with a duplicate voter identification card. The funds collected are HAVA program income.⁵

The routine collection of cash requires strong cash management internal controls to prevent the mishandling of funds and safeguard against loss. Segregation of duties for collection, deposit, and

⁵ ESVI does not always collect cash on these transactions. It has often provided free cards for voters on months when there are not enough staff to fulfill the cash collection process, or as a strategy to engage voters.

reconciling activities are essential to ensure that one individual does not perform more than one activity.

The 2013 audit found that ESVI failed to provide supporting documentation for funds spent and transferred between bank accounts; had poor accounting for fees collected; and used an imprest account that was susceptible to misuse because it was being managed by one person. Six of the audit's 20 recommendations related to program income or cash management and are shown to the right.

As part of the actions taken to address these findings and recommendations, ESVI updated its cash management policies and procedures to require its staff to:

- a) "Deposit all cash on a daily basis into the bank account with a minimum of two (2) deposits per week, or at a very minimum, all cash needs to be deposited every Friday weekly. It is most important that no funds should be left in the office over the weekend."
- b) "Carry the minimum internal controls that the same employee shall not complete the duties of establish/maintain accounts receivable records, receive cash, prepare deposits for the bank, or enter receipts into the MUNIS (ERP) System. [sic]"

However, OIG haphazardly selected 14 transactions from ESVI's records and found that ESVI had not recorded the cash collected from 10 transactions in the accounting system, nor had the cash collected from 4 transactions been deposited into a bank account. In all 14 transactions, ESVI had also failed to segregate cash management duties.

Additionally, while USVI Department of Finance SOPP #755 requires that "incoming cash revenue received from routine business operations should never be used for payment of expenses," OIG found that unrecorded program income is being utilized for office expenses.

ESVI officials said they relaxed their cash collection procedures, with staff shortages making it difficult to segregate duties. Currently, all three office locations have a vacant cash collector position. Additionally, ESVI officials said that cash collections occur infrequently—often with several months in between.

Nonetheless, ESVI is not adequately managing its cash collections, resulting in an inability to accurately account for program income.

Related Recommendations from 2013

1. Accurately determine the total amount of unreported program income collected.
2. Amend Federal Financial Reports to include program income earned from FY 2003 to FY 2011.
3. Resolve the unreported program income of \$113,345.
4. Establish adequate controls by maintaining reports, cashier receipts, and deposit slips to ensure that the amounts collected for program income are reported and deposited.
5. Deposit all program income into the Election Fund.
6. Stop depositing HAVA-related fees into the Imprest Fund Checking Account.

ESVI Did Not Consistently Follow Procurement Requirements

2 CFR Section 200.317 requires that a state or territory purchasing property or services under a federal award must follow the same policies and procedures it uses for procurements from its non-federal funds. Title 31, Chapter 23, Section 234 of the Virgin Islands Code requires that all government purchases utilize a purchase order or contract.

The 2013 audit found deficiencies with ESVI's adherence to procurement rules and regulations and made two recommendations for improvement: (1) Follow procurement requirements for small purchases; and (2) Provide documentation to support HAVA funds expended.

OIG sampled 38 expenditures from October 1, 2018, through September 30, 2023, charged to the Election Security and CARES Act awards, and identified 16 instances where documentation was incomplete and 14 instances where purchase orders were dated after the invoice.

Failing to maintain documentation could result in unsupported and, therefore, unallowable expenses. Choosing to issue a purchase order after goods and services are purchased commits the government to purchasing a good or service without ensuring that funds are available and encumbered. This could result in an unauthorized commitment of grant funds.

All of the sampled transactions took place during a period in which the governor had suspended some of the territory's procurement requirements because of the coronavirus pandemic. Therefore, there were no unauthorized commitments related to these transactions and OIG does not question any of the related costs. However, ESVI officials said they routinely issue purchase orders after receiving related invoices to expedite the procurement process.

ESVI Submitted Late and Inaccurate Reports

Accurate and timely reporting on the use of grant funds can help EAC identify potential issues early, allowing for corrective actions, training, and effective grant management. Additionally, having timely reporting allows EAC to report to stakeholders, such as Congress, on how the funds have been used and justify the need for future appropriations.

Therefore, in accordance with 2 CFR Sections 200.328 and 200.329, EAC requires grantees to submit periodic financial reports using the EAC Federal Financial Report form, which is adapted from Standard Form 425. Grantees are also required to submit periodic progress reports detailing program performance and describe how funds were used to meet a grant's objectives. The various awards include the reporting requirements for each grant, as shown in Figure 2 on the next page.

Figure 2. Financial and Progress Reporting Requirements

Grants	Reporting Requirements
FY 2018 Election Security	Program and financial reports were due by December 29 for the period October 1 to September 30.
FY 2020 Election Security	Program and financial reports were due by December 31 for the period October 1 to September 30.
FY 2022 Election Security	Program and financial reports were due by April 30 for the period October 1 to March 31 and by December 31 for the period April 1 to September 30.
FY 2023 Election Security	Financial reports were due by January 30 for the quarter ending December 31, April 30 for the quarter ending March 31, July 30 for the quarter ending June 30, and December 29 for the quarter ending September 30. Program reports were due by December 29 for the year ending September 30.
CARES Act	<ol style="list-style-type: none"> 1. Within 20 days of each election in the 2020 federal election cycle, grantee was required to send a report accounting for the territory's uses of funds. 2. Financial and progress reports for the period ending December 31, 2020, were due February 28, 2021. 3. Financial and progress reports for subsequent periods ending June 30 and December 31 of each year were due based on EAC reporting instructions.

A finding regarding late and inaccurate reporting was identified in the 2013 audit report and some of those issues persist, as described below.

Late Reports

For reporting periods from October 1, 2017, through September 30, 2023, ESVI was required to submit to EAC a total of 12 financial reports and 11 progress reports, by a specified date under each award's instructions. ESVI submitted late financial reports in 7 of the 12 instances and late progress reports in 8 of the 11 instances, as shown in Figures 3 and 4 below.

Figure 3. Days CARES Act Reports Submitted Late

Report Due Date	# of Days Late	
	Financial Report	Progress Report
6/30/2021	-	N/A
2/28/2021	2	2
11/23/2020	N/A	1
8/21/2020	N/A	95

Figure 4. Days Election Security Reports Submitted Late

Report Due Date	# of Days Late	
	Financial Report	Progress Report
12/29/2023	80	45
7/30/2023	-	N/A
4/30/2023	2	N/A
12/29/2022	55	55
4/30/2022	19	19
12/29/2021	-	-
4/30/2021	-	-
12/29/2020	110	110
12/29/2019	-	-
12/29/2018	24	24

ESVI officials said late reporting was due to oversights, being caught up in the execution of busy election cycles, and the impact from the COVID-19 pandemic. ESVI officials also said that when they know in advance that they cannot meet a deadline, they request extensions from EAC. However, ESVI did not have documentation to support these requests, nor did EAC have a record of an extension request for two late reports that were requested. Instead, EAC had a record of emails reminding ESVI that reports were overdue.

Inaccurate Reports

During the audit, OIG discovered an error in the financial report submitted for the period ending September 30, 2021, which overstated federal expenditures by \$15,783. ESVI officials said the error was due to an oversight, though it carried through to subsequent reports submitted from 2021 to 2023.

Because ESVI submitted an amended report for the period ending September 30, 2023, to correct the error going forward, no recommendation will be made.

Recommendations

To address the described issues, OIG recommends that EAC:

1. Require ESVI to create policies and procedures to ensure the allowability of HAVA grant expenditures.
2. Determine the allowability of \$74,005 (\$32,104 Election Security; \$41,901 CARES Act) in ineligible costs and recover any amount that is unallowable.
3. Require ESVI to assess, and update as necessary, the policies and procedures in place to ensure that program income is accurately collected, deposited, recorded, expended, and reported.

4. Remind ESVI to adhere to its procurement policies and procedures.
5. Require ESVI to assess, and update as necessary, the policies and procedures in place to ensure the timely submission of federal financial and progress reports.

Evaluation of Management Comments

We provided our draft report to EAC and ESVI officials on August 28, 2024. On September 30, 2024, we received a response from ESVI officials, which is included in Appendix B of this report. On October 10, 2024, we received a response from EAC officials, which is included in Appendix C of this report.

The report included five recommendations. We acknowledge EAC's management decisions on all five recommendations. Recommendations 1, 3, and 5 are closed upon report issuance. Recommendations 2 and 4 are open pending completion of planned activities. Our detailed evaluation of management comments follows.

Recommendation 1. ESVI updated its HAVA Expenditure policy in September 2024. EAC reviewed the policy and determined that it should be sufficient to ensure the allowability of grant expenditures. OIG agrees and considers this recommendation closed upon issuance of the report.

Recommendation 2. EAC reviewed the questioned costs and determined that \$13,002 of the costs are unallowable and \$12,213 are allowable. \$48,790 is still pending review. EAC will work with ESVI to determine the allowability of the remaining questioned costs and recover unallowable amounts. The target date for completion is May 1, 2025.

Recommendation 3. ESVI updated its program income policy in September 2024. EAC confirmed that the updated policy should ensure that program income is accurately collected, deposited, recorded, expended, and reported. OIG agrees and considers this recommendation closed upon issuance of the report.

Recommendation 4. In response to EAC's and ESVI's comments, OIG has modified the recommendation that was presented in the draft report. Instead of recommending that ESVI be required to strengthen its procurement policies and procedures, OIG recommends that ESVI staff be reminded to adhere to the existing procurement policies and procedures. Based on ESVI's comments and additional inquiry, the target date for completion is November 30, 2024.

Recommendation 5. ESVI updated its reporting policy in September 2024. EAC confirmed that the updated policy should ensure the timely submission of federal financial and progress reports. OIG agrees and considers this recommendation closed upon issuance of the report.

Appendix A. Scope and Methodology

This audit was conducted from November 2023 to July 2024. It was conducted 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 in accordance with our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The audit objectives were to determine whether ESVI (1) used funds for authorized purposes in accordance with Section 101 of HAVA and other applicable federal 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 confirmed that ESVI took appropriate corrective actions to address deficiencies noted in OIG’s October 2013 audit report.

For Election Security funds, the audit covered awards USVI18101001, VI20101001, EAC-ELSEC22VI, and EAC ELSEC22VI-01-03, from the date of award through September 30, 2023. For CARES Act funds, the audit covered award VI20101CARES from the date of award through grant closeout on August 9, 2021. Figure A-1 details grant financials reported through that date.

Figure A-1. Grant Financials Reported by ESVI

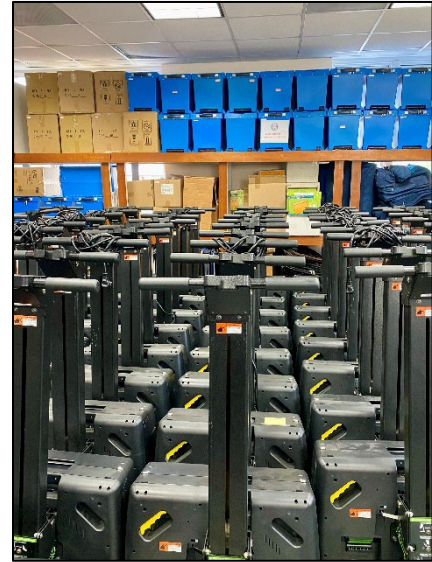
	Election Security Funds (\$) as of September 30, 2023	CARES Act Funds (\$) as of August 9, 2021
Federal Funds	1,600,000	600,000
Program Income	2,000	
Interest Income	14,245	
Total Funds	1,616,245	600,000
Less Disbursements	1,047,623	600,000
Fund Balance	568,622	-

We initially reviewed applicable laws and regulations to answer the audit objectives. Specifically, we reviewed HAVA and the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 CFR Part 200). We reviewed the grant awards and applications, available financial reports, and related audit reports. We also conducted interviews and corresponded with representatives from ESVI and the EAC grants team. We performed work in St. Croix, St. John, and St. Thomas, U.S. Virgin Islands, in February 2024. Otherwise, work was performed remotely.

The described procedures provided us with an understanding of the grantees’ internal controls and helped us to assess risk. Based on this, we selected significant controls for testing. This included controls in the financial management, property management, and procurement processes. We also designed procedures to test compliance with the award requirements. Specifically, we:

- Reconciled the submitted financial reports for the HAVA Election Security Grants to EAC’s and ESVI’s accounting records as of September 30, 2023.
- Reconciled the submitted financial reports for the CARES Act grant to EAC’s and ESVI’s accounting records as of August 9, 2021, the date the grant was closed.

- Reviewed records and correspondence to determine whether funds had been deposited in an election fund that earns interest.
- Determined the adequacy of ESVI’s procedures for property management and procurement and tested their effectiveness. After reviewing ESVI’s policies and procedures, we haphazardly selected five Election Security grant and five CARES Act grant property purchases and confirmed that they were listed on ESVI’s inventory schedules. We also haphazardly selected 19 items from the 299 assets listed on the inventory schedules and confirmed their existence.
- Reviewed support for expenditures in areas such as salaries, equipment, procurement, and supplies, to determine whether the goods or services were allowable, and to validate internal controls and compliance with award terms and relevant laws and regulations. To conduct this testing, we judgmentally sampled expenditures from the general ledger provided by ESVI, based on their descriptions. In total, we tested 30 percent of ESVI’s expenditures during the audit’s scope.
- Reviewed ESVI’s progress implementing corrective actions to address the deficiencies noted in OIG’s October 2013 audit report.



OIG observed neatly stored voting equipment at ESVI’s St. Thomas office. (Photo by EAC OIG, February 2024)

Because we did not use statistical sampling in our tests, we do not extrapolate the results of our procedures to the total populations.

Appendix B. ESVI Comments

GOVERNMENT OF
THE VIRGIN ISLANDS OF THE UNITED STATES

Elections System of the Virgin Islands

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September 30, 2024

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

Emailed to SDreyer@eac.gov

Re: ESVI EAC Audit Response

Dear Acting Inspector General Dreyer,

The Elections System of Virgin Islands (ESVI) would like to express our appreciation to the Election Assistance Commission Audit Team, Mr. Francisco Garcia and Mr. Joshua Shoemaker for their professional, knowledge, expertise and willingness to listen. This was an experience for my team, one we will never forget, this will enhance our planned usage and 100% execution of grant funding. ESVI also extend our gratefulness to you as the Acting Inspector General for paying our territory a visit, as the leader of this great organization. ESVI felt valued as America's Paradise.

There were five recommendations by the Audit Team. To address the described issues, OIG recommends that EAC:

1. Require ESVI to create policies and procedures to ensure the allowability of HAVA grant expenditures.e

Response: ESVI created a policy, and a copy is attached with this response.e

2. Determine the allowability of \$74,005 (\$32,104 Election Security; \$41,901 CARES Act) in ineligible costs and recover any amount that is unallowable.e

Re: ESVI EAC Audit Response

Response: Unallowable Expenses:

ESVI acknowledge that grant funds were unknowingly used for unallowable expenses. However, ESVI disagree with the total for the Public Service Announcements/Advertising - Get-Out-The-Vote. ESVI reviewed the proposal and the invoices and can ascertain at least 30% included voter education information.

To address this, ESVI have implemented a comprehensive review process to ensure all expenses are eligible and will seek prior approval from the Elections Commission Grant Analyst going forward. Additionally, ESVI will conduct training sessions for our staff to reinforce the guidelines.

ESVI have a plan to reimburse the unallowable expenses to the HAVA Security Grant Funding by December 31, 2024.

3. Require ESVI to assess, and update as necessary, the policies and procedures in place to ensure that program income is accurately collected, deposited, recorded, expended, and reported.

Response: Program Income Policy

ESVI has developed a Program Income Policy that has addressed all areas in detail. A copy is attached.

4. Require Elections of the Virgin Islands to strengthen policies and procedures to ensure that purchase orders are issued before the purchase of goods and services and that purchasing documentation is retained

Response: Non-Compliance with Local Procurement Requirements:

ESVI does not fully agree with this statement. ESVI did follow GVI Procurement. There is no policy of GVI which states the quote and invoice must have different dates to process.

ESVI will request from vendors Quote(s) following Department of Property and Procurement Policies and Department of Finance SOPP. Once the vendor is selected, the vendor quote will be processed in the Government of Virgin Islands Financial System. Once the Purchase Order is received, ESVI will request an invoice from the specified.

ESVI will follow SOPP# 130 & 305 to process the Purchase Order and invoice. We plan to provide comprehensive training to our staff to ensure full compliance moving forward. ESVI will implement your recommendation to ensure that purchase orders are issued before the purchase of goods and services and that purchasing documentation is retained

Re: ESVI EAC Audit Response

5. Require ESVI to assess, and update as necessary, the policies and procedures in place to ensure the timely submission of federal financial and progress reports.

Response: Late and Inaccurate Federal Financial Reports

ESVI acknowledge the submission of late and inaccurate program and financial reports. To address this, ESVI is implementing a strict reporting schedule and utilizing automated tools to enhance the accuracy of our reports. ESVI have also created a policy with procedures to address this deficiency.

The Elections System of the Virgin Islands also took an additional step to revise, create and strengthen policies and procedures in all the deficient areas mentioned.

If you have any questions or concerns, you can reach me via email at caroline.fawkes@vi.gov or via phone at 773-1021.

Thanks in advance for your cooperation and understanding. I look forward to your favorable response.

Sincerely,



Caroline F. Fawkes, CERA
Supervisor of Elections

Cc: Grants EAC

- Encls:
- a. HAVA Grant Expenditure Policy
 - b. HAVA Program Income Policy
 - c. Strengthen of Dept of Finance Procurement Policy SOPP #105, 130 & 305
 - d. Federal Financial Reports Policy – Timely Submissions

Appendix C. EAC Comments



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: October 10, 2024

RE: Response to Draft Audit Report of Grants Awarded to the U.S. Virgin Islands, OIG Report No. G24VI0048-25-XX

Thank you for the opportunity to respond to the OIG draft audit of HAVA funds awarded to The Election System of the U.S. Virgin Islands (ESVI). 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 generally agrees with the recommendations and describes our management decisions related to each one below.

Finding #1, Recommendations: None, ESVI Has Improved Grant Administration: Based on the audit procedures performed, except for the matters discussed below, OIG concluded during this audit that ESVI generally used funds for authorized purposes in accordance with Section 101 of HAVA and other applicable federal requirements, properly accounted for and controlled property purchased, used funds in a manner consistent with the informational plans provided to EAC, and took appropriate corrective actions to address prior deficiencies.

Management Decision:

The U.S. Election Assistance Commission (EAC) Office of Grants Management (OGM) agrees with the OIG assessment. The Election System of the U.S. Virgin Islands (ESVI) has worked extensively to improve grant processes and support fair and accurate elections across the territory. The period covered by the audit includes the years impacted by the COVID-19 pandemic. During this time, the ESVI staff implemented additional measures to provide a safe and secure voting environment. The staff members of the ESVI approach every conversation with curiosity, positivity, and a desire to improve. The EAC OGM commends their dedication to and enthusiasm for progress.

Finding #2, Recommendations #1-#2: ESVI Used Grant Funds for Ineligible Expenses: The auditors identified \$74,005 of costs that did not meet the criteria for allowable grant expenses, which are identified below.

Get Out The Vote: ESVI spent \$19,569 of its Election Security grant funds and \$29,221 of its CARES Act grant funds on "Advertisement & Promotion" costs used for a series of online



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videos encouraging voting in the 2020 election. Because the primary purpose of these videos was to get out the vote, we question the amount as unallowable.

Additionally, OIG identified four transactions, totaling \$300, where a stipend was paid for attendance at a voter registration drive with Election Security grant funds.

Catering: ESVI spent \$12,213 of its Election Security grant funds and \$12,680 of its CARES Act grant funds to feed poll workers in 2020 and 2021.

Travel: OIG identified a \$22 travel expense in which an employee was reimbursed for actual travel cost while also claiming the per diem, making the expense unreasonable.

1. Require ESVI to create policies and procedures to ensure the allowability of HAVA grant expenditures.
2. Determine the allowability of \$74,005 (\$32,104 Election Security; \$41,901 CARES Act) in ineligible costs and recover any amount that is unallowable.

Management Decision:

#1. The EAC OGM reviewed the *ESVI HAVA Grants Expenditure Procedures*, provided by the ESVI and determined that it provides sufficient controls for ensuring the allowability of HAVA grant expenditures. We consider the recommendation closed.

#2. The EAC OGM has reviewed the activities and costs questioned by the OIG in the areas of Get Out The Vote, Catering, and Travel. The EAC determined that \$13,002 of the funds are unallowable, \$48,790 are pending review, and \$12,213 are allowable. In addition to identifying allowable and unallowable costs, the EAC has provided further guidance to ESVI on the use of HAVA funds for voter education and will provide updated guidance on food expenditures to ensure future compliance. The EAC has given ESVI until February 2025 to provide supporting documentation for pending expenses and will work with ESVI to determine the appropriate method for the return of disallowed costs. The target closure date is May 1, 2025.

Total Questioned Costs

Expense	Award	Amount	Decision
Campaign	Election Security	\$19,569.00	Pending – Initially Disallowed with Reconsideration Option
Campaign	CARES	\$29,221.00	Pending – Initially Disallowed with Reconsideration Option
Stipend	Election Security	\$300.00	Disallowed
Catering	Election Security	\$12,213.00	Allowed
Catering	CARES	\$12,680.00	Disallowed
Travel	Election Security	\$22.00	Disallowed
Total Questioned Costs		\$74,005.00	



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Finding #3, Recommendation #3: ESVI Continues to Lack Strong Cash Management

Controls: The OIG found that ESVI is not adequately managing its cash collections, resulting in an inability to accurately account for program income.

3. Require ESVI to assess, and update as necessary, the policies and procedures in place to ensure that program income is accurately collected, deposited, recorded, expended, and reported.

Management Decision:

In response to recommendation three, the EAC OGM reviewed the *Program Income HAVA Grant Policy Feb 24* provided by the ESVI and determined that it sufficiently addresses the recommendation. We consider this recommendation closed.

Finding #4, Recommendation #4: ESVI Did Not Consistently Follow Procurement

Requirements: OIG sampled 38 expenditures from October 1, 2018, through September 30, 2023, charged to the Election Security and CARES Act awards, and identified 16 instances where documentation was incomplete and 14 instances where purchase orders were dated after the invoice. All the sampled transactions took place during a period in which the governor had suspended some of the territory's procurement requirements because of the coronavirus pandemic. Therefore, there were no unauthorized commitments related to these transactions and OIG does not question any of the related costs. However, ESVI officials said they routinely issue purchase orders after receiving related invoices to expedite the procurement process.

4. Require ESVI to strengthen policies and procedures to ensure that purchase orders are issued before the purchase of goods and services and that purchasing documentation is retained.

Management Decision:

In response to recommendation #4, the EAC OGM reviewed *Policy SOPP305: Purchase Order* and *Policy SOPP105 Requisition Revision*, provided by the ESVI and determined that it sufficiently addresses the recommendation. We consider this recommendation closed.

Finding #5, Recommendation #5: ESVI Submitted Late and Inaccurate Reports:

For reporting periods from October 1, 2017, through September 30, 2023, ESVI was required to submit to EAC a total of 12 financial and 11 progress reports, by a specified date under each award's instructions. ESVI submitted late financial reports in seven of the 12 instances and late progress reports in eight of the 11 instances.

5. Require ESVI to assess, and update as necessary, the policies and procedures in place to ensure the timely submission of federal financial and progress reports.



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Management Decision:

The EAC OGM reviewed correspondence from the ESVI and confirmed that in most cases they communicate extension needs or receive an extension from the OGM after the original reporting deadline. In response to recommendation #5, the EAC OGM reviewed the revised *ESVI Finance Policy No. 3 Federal Financial Reporting Sep 24* provided by the ESVI and determined that it sufficiently addresses the recommendation. We consider this recommendation closed.



Visit our website at oig.eac.gov.

U.S. Election Assistance Commission
Office of Inspector General
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