

OFFICE OF INSPECTOR GENERAL

U.S. Election Assistance Commission

AUDIT OF THE HELP AMERICA VOTE ACT

GRANTS AWARDED TO THE STATE OF ARIZONA

Report No. G22AZ0008-22-01
August 9, 2022



HIGHLIGHTS

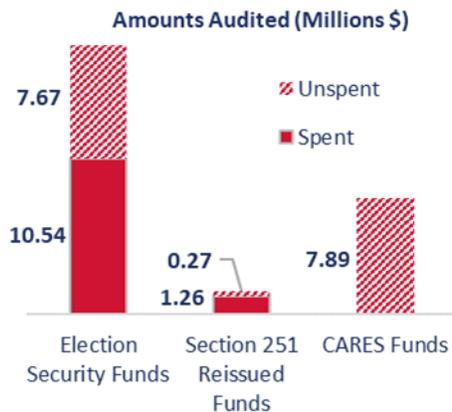
AUDIT OF THE HELP AMERICA VOTE ACT GRANTS AWARDED TO THE STATE OF ARIZONA

Report No. G22AZ0008-22-01

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What OIG Audited

The Office of Inspector General, through the independent public accounting firm of McBride, Lock & Associates, LLC, audited funds received by the State of Arizona under the Help America Vote Act (HAVA), including state matching funds and interest earned, totaling \$27.6 million.



Arizona did not spend funds authorized under the Coronavirus Aid, Relief, and Economic Security (CARES) Act because the state legislature did not appropriate them, as required by Arizona statute.

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

- (1) used funds for authorized purposes in accordance with Sections 101 and 251 of HAVA and other applicable requirements;
- (2) properly accounted for and controlled property purchased with HAVA payments; and
- (3) used funds in a manner consistent with the informational plans provided to EAC.

What OIG Found

The Office of Inspector General found that the Arizona Secretary of State generally accounted for HAVA funds in accordance with applicable requirements and used them in a manner consistent with the informational plans that they had submitted.

However, there were two exceptions (1) one software purchase was not tracked as property in the state's financial system; and (2) one of five counties sampled did not have complete property records. During the audit, the office took steps to add the software to the financial system and place the county purchase on an appropriate inventory listing.

What OIG Recommended

The Office of Inspector General made three recommendations to ensure procedures are in place for equipment to be used and disposed of in accordance with federal regulations:

- 1 Implement procedures or training to ensure that fixed assets are correctly recorded.
- 2 Implement procedures or training to ensure that subrecipients are properly monitored.
- 3 Ensure that subrecipients keep compliant property records.



OFFICE OF INSPECTOR GENERAL

U.S. Election Assistance Commission

DATE: August 9, 2022

TO: U.S. Election Assistance Commission, Interim Executive Director, Mark Robbins

FROM: U.S. Election Assistance Commission, Inspector General, Brianna Schletz

SUBJECT: Audit of the Help America Vote Act Grants Awarded to the State of Arizona
(Report No. G22AZ0008-22-01)

This memorandum transmits the final report on Help America Vote Act grants awarded to the state of Arizona. The Office of Inspector General contracted McBride, Lock & Associates, LLC, an independent certified public accounting firm, to conduct the audit. The contract required that the audit be performed in accordance with U.S. generally accepted government auditing standards. We monitored the firm's work to ensure that it adhered to those standards.

Please keep us informed of the actions taken on the report's three recommendations, as we will track the status of their implementation.

We appreciate the assistance you and your staff provided to us during this audit.

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

McBRIDE, LOCK & ASSOCIATES, LLC

Certified Public Accountants

Established 1980

Performance Audit Report

**Administration of Payments Received Under the Help America Vote Act by
the Arizona Secretary of State**

Prepared for

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

By

McBride, Lock & Associates, LLC

July 2022

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

EXECUTIVE SUMMARY

McBride, Lock & Associates, LLC was engaged by the United States Election Assistance Commission (EAC) Office of the Inspector General to conduct a performance audit of the of the administration of payments received under the Help America Vote Act (HAVA or the Act) by the Arizona Secretary of State's Office (Office). The payments received by the Office are identified as Election Security, Section 251 Reissued, and the CARES Act. The scope of the audit includes: Election Security administration from inception on June 7, 2018 through September 30, 2020; Section 251 Reissued administration from inception on October 1, 2018 through September 30, 2020; CARES Act administration from inception on September 15, 2020 through December 31, 2020, including matching fund expenditures made after December 31, 2020. The objective of the audit was to determine whether the Office used payments authorized by Sections 101 and 251 of the Help America Vote Act of 2002 (the HAVA) in accordance with HAVA and applicable requirements; properly accounted for and controlled the funds and property purchased with HAVA payments; and, used the funds in a manner consistent with the budget plan provided to EAC.

In addition, the Commission requires states to comply with certain financial management requirements, specifically:

- Expend payments in accordance with Federal cost principles established by the Office of Management and Budget (OMB) – (2 CFR 200).
- Submit detailed annual financial reports on the use of Title I payments.
- Maintain documents and records subject to audit to determine whether payments were used in compliance with HAVA.

We conducted this performance audit in accordance with *Generally Accepted Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on the audit objectives.

Based on the audit procedures performed, except for the matters discussed below, we concluded that the Office generally accounted for and expended the Grant funds in accordance with the requirements mentioned above and for the periods mentioned above. The exceptions are as follows:

1. Our equipment testing sample included one invoice totaling \$272,878 of expenditures. The invoice was for the development of a Statewide Voter Registration System, which in total

exceeds \$1 million. The software was not tracked in the state's financial system as property.

2. The Office's monitoring of subrecipients did not ensure that property records were maintained in compliance with 2 CFR 200. Five out of 15 counties were selected for physical observation of equipment. The five counties were Cochise, Coconino, Yavapai, Navajo and Yuma. These five counties represented \$1,238,171 of the State's reported expenditures. Cochise and Coconino had no purchases in excess of their capitalization threshold. The property purchased by Yuma County was not being kept on an inventory listing. Six items of equipment purchased with \$82,380 of Election Security funds were selected for observation from Yavapai and Navajo counties. All items were determined to exist.

We have included in this report as Appendix A, the Secretary of State's written response to the draft report. Such response has not been subjected to audit procedures and, accordingly, we do not provide any form of assurance on the appropriateness of the response or the effectiveness of the corrective actions described therein.

BACKGROUND

The Help America Vote Act of 2002 (HAVA) created the U.S. Election Assistance Commission (Commission) to assist States and insular areas (hereinafter referred to as States) with improving the administration of federal elections and to provide funds to States to help implement these improvements. The Commission administers grants to States authorized by HAVA under Title I and Title II, as follows:

- Title I, Section 101 payments are for activities such as complying with Title III of HAVA for uniform and nondiscriminatory election technology and administration requirements; improving the administration of elections for Federal office; educating voters; training election officials and poll workers; developing a state plan for requirements payments; improving, acquiring, leasing, modifying, or replacing voting systems, and methods for casting and counting votes; improving the accessibility and quantity of polling places; and establishing toll-free telephone hotlines that voters may use.
- Title II, Section 251 requirements payments are for complying with Title III requirements for voting system equipment; and addressing provisional voting, voting information, Statewide voter registration lists, and voters who register by mail.

The HAVA Election Security, Section 251 Reissued 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 Arizona Secretary of State

The HAVA funds were awarded to the Arizona Office of the Secretary of State. The Secretary of State serves as the chief election officer in the state of Arizona, which includes oversight of campaign finance for statewide and legislative candidates, verifying initiatives and referenda for the ballot, and certifying the official results of each election. A statewide or legislative election is scheduled for every even-numbered year unless a special election is required.

Help America Vote Act State of Arizona State Plans

The Arizona Secretary of State’s HAVA budget narratives were prepared by the Secretary of State.

Election Security 2018 and 2020

The main objectives of the 2018 project funded by HAVA, as set forth in the budget letter, were for upgrades to the voter registration database and purchases related to cyber security. The state had recently purchased a new statewide voter registration database, which would be partially funded with the grant. The state also entered into an agreement to undergo an assessment of current IT infrastructure. The state planned on creating a new position to be tasked with maintaining and understanding the state and county positions on elections security. Additional funds for cyber security were to be made as sub-grants to the counties.

The objectives of the 2020 project funded by HAVA, as set forth in the budget letter, were to implement the security assessment results from their Security Plan, communication efforts related to elections, sub-grants to the counties for election security, and create a new position focusing on maintaining and understanding elections security.

Section 251 Reissued

On July 29, 2021, the Office was informed of an interim administrative closeout of the HAVA Section 251 grant through September 30, 2018. On that date, the unexpended program income/interest was carried forward. The funds were to be spent in accordance with Section 251.

CARES Act

The objectives of the 2020 CARES Act project funded by HAVA, as set forth in the budget letter, was to use the funds to prevent, prepare for, and respond to coronavirus domestically or internationally, for the 2020 Federal election cycle. To address the effects of the coronavirus on the elections the state was to identify internal priorities for expenditures of grant funds to address Arizona’s immediate election needs, which includes providing subgrants to counties, additional county assistance if the State Legislature authorizes all-mail elections for August and November to help with the printing, mailing and postage for ballots and providing funding for protection masks and equipment and cleaning supplies, solicit input from county stakeholders on state and

local preparedness and response levels to ensure voters, volunteers and election workers are safe, direct public education initiatives.

AUDIT OBJECTIVES

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

1. Used funds for authorized purposes in accordance with Section 101 and Section 251 of HAVA and other applicable requirements;
2. Properly accounted for and controlled property purchased with HAVA payments; and
3. Used the funds in a manner consistent with the informational plans provided to EAC.

In addition to accounting for Grant payments, the Grant requires states to maintain records that are consistent with sound accounting principles that fully disclose the amount and disposition of the payments, that identify the project costs financed with the payments and other sources, and that will facilitate an effective audit. The Commission requires states receiving Grant funds to comply with certain financial management requirements, specifically:

- Expend payments in accordance with Federal cost principles established by the Office of Management and Budget (OMB) – (2 CFR 200).
- Submit detailed annual financial reports on the use of Title I and Title II payments.
- Maintain documents and records subject to audit to determine whether payments were used in compliance with HAVA.

SCOPE AND METHODOLOGY

We audited the Election Security grant funds received and disbursed by the Office from June 7, 2018, through September 30, 2020. These funds are related to the appropriation of \$380 million under the Consolidated Appropriations Act (CAA), 2018 (P.L. 115-151) and \$425 million under the CAA, 2020 (P.L. 115-141). We audited the Section 251 grant funds reissued to and disbursed by the Office from October 1, 2018, through September 30, 2020. We audited the CARES Act grant funds received and disbursed by the Office from September 15, 2020, through December 31, 2020. These funds are related to the \$400 million authorized by the U.S. Congress under the Coronavirus Aid, Relief and Economic Security Act (P.L. 116-136). The scope of activity audited is shown in the following table:

Description	Election Security Funds	Section 251 Reissued Funds	CARES Act Funds
Funds Received from EAC	\$ 15,860,974	\$ -	\$ 7,874,848
State Matching Funds	2,052,644	-	-
Program Income	291,489	1,530,202	16,605
Total Funds	\$ 18,205,107	\$ 1,530,202	\$ 7,891,453
Less Disbursements	(10,536,239)	(1,256,202)	-
Fund Balance	\$ 7,668,868	\$ 274,000	\$ 7,891,453

Program income in the above table consists entirely of interest earned on the federal funds as reported in the program income section of the federal financial reports.

The Office’s Election Security expenditures detailed by budget and program category, and Section 251 Expenditures detailed by spending category are included as Appendix C. The Office did not have CARES Act Expenditures. Arizona statute requires that grants received by the Secretary of State from the federal government be appropriated by the legislature before the funding is spent. The legislature never appropriated the CARES funds, so the Office was unable to use them.

In planning and performing our audit, we identified the following internal control components and underlying internal control principles as significant to the audit objective:

Objective	Component	Principle
1	Control Activities	Selects and develops control activities Selects and develops general controls over technology Deploys through policies and procedures
	Information and Communication	Uses Relevant Information Communicates Internally Communicates Externally
2	Control Activities	Selects and develops control activities Selects and develops general controls over technology Deploys through policies and procedures
	Information and Communication	Communicates Externally
3	Control Activities	Selects and develops control activities Selects and develops general controls over technology Deploys through policies and procedures

We assessed the design, implementation, and operating effectiveness of these internal controls and identified deficiencies that we believe could affect the Office’s ability to use funds for authorized purposes, and properly account for and control property. The internal control deficiencies we found are discussed in the Audit Results section of this report.

Additionally, for the components and principles which we determined to be significant, we assessed the internal controls and compliance with laws and regulations necessary to satisfy the audit objective.

However, because our review was limited to these internal control components and underlying principles, it may not have disclosed all internal control deficiencies that may have existed at the time of this audit.

AUDIT RESULTS

We conducted this performance audit in accordance with *Generally Accepted Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on the audit objectives.

Based on the audit procedures performed, we concluded that the Office accounted for HAVA funds in accordance with the requirements mentioned above and used the funds in a manner consistent with informational plans submitted during the audit period. However, the Office did not properly account for property purchased with HAVA payments. The exceptions to applicable compliance requirements are described below.

Finding No. 1 – Property Records

Our equipment testing sample included one invoice totaling \$272,878 of expenditures. The invoice was for the development of a Statewide Voter Registration System, which in total exceeds \$1 million. The software was not tracked in the state’s financial system as 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.” SAAM Topic 25, Section 05 states that, “Unless a specific exception exists, all agencies must use FAM to record fixed assets, a term which collectively refers to capital assets and, whether capitalized or expensed, IT and stewardship resources.” Further, SAAM Topic 25, Section 90, sets the capitalization threshold of computer software at \$1 million.

The Office states that the voter registration system should have been recorded in the Fixed Asset Module (FAM). However, the expenditures incurred for the Statewide Voter Registration System, which were in excess of the capitalization threshold, were not included in the FAM due to the expenditures being coded to the incorrect object code. During the audit, the Office added the software in the FAM.

Proper tracking of property purchased with federal funds ensures that equipment is being used and disposed of in accordance with federal regulations and state laws and procedures.

Recommendation

1. We recommend the EAC require the Office to implement procedures or training to ensure that fixed assets are recorded to the correct object code.

Secretary of State's Response:

The missing asset entry was identified by the office during a pre-audit review of expenditures and correcting entries were made in the financial system during the audit. The delay in capitalizing the purchase stemmed from a data entry error made on the purchase order (PO) for the software. To reduce the risk of this error occurring again, we have implemented new accounting procedures requiring that staff complete annual training and review all POs for data entry errors before they are marked as approved.

Auditor's Response:

The proposed corrective actions, if implemented, would be sufficient to resolve the findings.

Finding No. 2 – Subrecipient Monitoring

The Office's monitoring of subrecipients did not ensure that property records were maintained in compliance with 2 CFR 200. Five out of 15 counties were selected for physical observation of equipment. The five counties were Cochise, Coconino, Yavapai, Navajo and Yuma. These five counties represented \$1,238,171 of the State's reported expenditures.¹ The property purchased by Yuma County was not being kept on an inventory listing.²

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

The Office did not perform activity monitoring sufficient to ensure that subrecipients were maintaining property records in compliance with Federal statutes and the terms and conditions of the subaward. Yuma County did not include their purchase on an inventory listing. Once brought to the County's attention, it was placed on an appropriate inventory listing.

¹ Cochise and Coconino had no purchases in excess of their capitalization threshold.

² Six items of equipment purchased with \$82,380 of Election Security funds were selected for observation from Yavapai and Navajo counties. All items were determined to exist.

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

Recommendation

We recommend that the EAC require the Office to:

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

Secretary of State's Response:

The office maintains subrecipient equipment lists and has documented procedures and checklists to be used in the monitoring of property records. A review of the office's responsibilities, procedures, and schedule for performing physical inventories will be conducted with current grants management staff. The one item missing from the county's inventory list was added during the audit.

Auditor's Response:

The proposed corrective actions, if implemented, would be sufficient to resolve the findings.

The Office responded on July 29, 2022, and generally agreed with the report's findings and recommendations. The EAC responded on July 26, 2021, and agreed with the recommendations and will follow up with the Arizona Secretary of State to implement and complete appropriate corrective action on the findings. The Office's complete response is included as Appendix A-1 and the EAC's complete response as Appendix A-2.

McBride, Lock & Associates, LLC performed the related audit procedures between July 7, 2021, and July 15, 2022.



McBride, Lock & Associates, LLC
Kansas City, Missouri
July 15, 2022

APPENDIX A-1

**Response of the
Arizona Secretary of State
to the Draft Report**



KATIE HOBBS
SECRETARY OF STATE
State of Arizona

July 29, 2022

Brianna Schletz, Inspector General
U.S. Election Assistance Commission
Office of Inspector General
633 3rd Street NW, Suite 200
Washington, DC 20001

Re: Response to EAC OIG Draft Report: Audit of the HAVA Grants Awarded to the State of Arizona

Dear Brianna Schletz:

Thank you for the opportunity to respond to the draft audit report of Help America Vote Act (HAVA) grants awarded to the State of Arizona. HAVA grants serve as a great benefit to Election Offices throughout the state and we welcomed the review of our Office's administration of the funds by the independent public accounting firm McBride, Lock & Associates, LLC. We are pleased that the two findings are minor and were easily resolved during the audit.

Finding No. 1 – Property Records

One software purchase was not tracked as property in the state's financial system.

Secretary of State's Response:

The missing asset entry was identified by the office during a pre-audit review of expenditures and correcting entries were made in the financial system during the audit. The delay in capitalizing the purchase stemmed from a data entry error made on the purchase order (PO) for the software. To reduce the risk of this error occurring again, we have implemented new accounting procedures requiring that staff complete annual training and review all POs for data entry errors before they are marked as approved.

Finding No. 2 – Subrecipient Monitoring

One of five counties sampled did not have complete property records.

Secretary of State's Response:

The office maintains subrecipient equipment lists and has documented procedures and checklists to be used in the monitoring of property records. A review of the office's responsibilities, procedures, and

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Phoenix, AZ 85007-2808

schedule for performing physical inventories will be conducted with current grants management staff. The one item missing from the county's inventory list was added during the audit.

Thank you to the McBride, Lock & Associates, LLC audit team for their diligence and professionalism throughout the audit and to the Election Assistance Commission (EAC), particularly the grants team, for their partnership and support as we work through the audit resolution process.

Sincerely,

Sarah Brown

Sarah Brown
Chief Financial Officer

APPENDIX A-2

**Response of the
U.S. Election Assistance Commission
to the Draft Report**



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

TO: Brianna Schletz, Inspector General

FROM: Kinza Ghaznavi
Grants Manager

Kinza Ghaznavi

DATE: July 26, 2022

RE: Response to Draft Audit Report of Grants Awarded to the Arizona Office of the Secretary of State, OIG Report G22AZ0008-22-01

This is the EAC's response to the OIG draft audit of HAVA funds awarded to Arizona Office of the Secretary of State (the Office) and serves as the EAC's management decision. The scope of the audit included HAVA Section 251, 101 Election Security, and 101 CARES grants. We are pleased to note that the findings were minimal and are following up with the Office on the recommendations. The EAC agrees with the recommendations and describes our management decisions related to each one below.

Finding and Recommendation #1, Property Records: The auditors noted that equipment testing identified one software purchase for the Statewide Voter Registration System that was not tracked in the state's financial system as required because the expenditure was coded to an incorrect object code. The auditors recommended that the EAC require the Office to implement procedures or training to ensure that fixed assets are recorded to the correct object code.

Management Decision: The Office added a step in their fixed asset review procedure that requires the accounting specialist responsible for fixed assets to review object codes prior to recording them and correct them if needed. Grants office staff will review the new procedure to confirm it meets the recommendation and confirmed the specialist has already been notified of the new procedures. The Office also reported that staff is looking for appropriate on-line fixed asset training and, if such training is available, staff will be required to complete it by August 15. However, the addition of the new procedure and training for the fixed assets accounting specialist adequately addresses the recommendation if additional training is not available.

Finding and Recommendations #2 and #3, Subrecipient Monitoring: The auditors determined that the Office's monitoring of subrecipients did not ensure that property records were maintained in compliance with 2 CFR 200. One of five counties whose

inventories were reviewed had one item that was not included on the inventory list as required. The auditors recommended that the EAC require the Office to:

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

Management Decision: The one subrecipient with the finding related to one item that was not in a property record as required has corrected its listing to include the missing item. The Office follows state monitoring requirements contained in the *Arizona Grants Management Manual* which includes requirements to review property records on site visits. The EAC Grants staff will review the Office's supporting documentation for site visits and desk reviews to confirm the Office follows those state monitoring procedures and checks that subrecipients are maintaining appropriate inventory records. The EAC Grants staff expects to complete that review after we receive additional supporting documentation from the Office, due by August 31. The Office is also hiring a replacement subgrant administrator and will train the new staff member on requirements under 2 CFR 200, including requirements related to maintaining property inventories. The Office staff will also work with the new hire to develop a process for documenting property checks and will have training completed and a revised procedure in place by the end of August.

The EAC expects to review the actions and documentation provided by the state by September 15, 2022.

AUDIT SCOPE AND METHODOLOGY

Our audit methodology included:

- Assessing audit risk and significance within the context of the audit objectives.
- Obtaining an understanding of internal control that is significant to the administration of the HAVA funds and of relevant information systems controls as applicable.
- Identifying sources of evidence and the amount and type of evidence required.
- Determining whether other auditors have conducted, or are conducting, audits of the program that could be relevant to the audit objectives.

As part of our audit, we gained an overall understanding of the internal control environment at the Office. Based on this understanding, we identified certain internal controls that we considered to be significant (or key controls) to achieving each objective. All components of internal control are relevant, but not all may be significant. Significance is defined as the relative importance of a matter within the context in which it is being considered, and is a matter of professional judgment. We made the following determination as to the significance of the underlying internal control principles:

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

The significance was determined as follows:

Objective 1: Control Activities and its underlying principles were deemed to be significant to our determination of the awardee’s compliance with the objective. The Control Activities component includes the design and implementation of specific tasks performed by individuals within the entity to fulfill their duties and responsibilities and to respond to identified risks. These principles address the design and implementation of activities related to management review, segregation of duties (including restriction of access with the information system), and documentation of internal controls and transactions. We determined these principles to be the most significant to the state’s proper use of funds and compliance with award requirements.

The Information and Communication principles of Use Relevant Information, Communicate Internally and Communicate Externally were deemed to be significant to our determination of the awardee’s compliance with the federal financial reporting portion of this objective. These principles address the relevance of the information, the internal communication processes used to compile the data necessary to meet the state’s reporting objectives and the external communication processes used to inform the counties about grant requirements.

Objective 2: Control Activities and its underlying principles were deemed to be significant to our determination of the awardee's compliance with the objective. The Control Activities component includes the design and implementation of specific tasks performed by individuals within the entity to fulfill their duties and responsibilities and to respond to identified risks. These principles address the design and implementation of activities related to management review, segregation of duties (including restriction of access with the information system), and documentation of internal controls and transactions. We determined these principles to be the most significant to the state's proper accounting and control over equipment purchased with HAVA funds.

The Information and Communication principle of Communicate Externally was deemed to be significant to our determination of the awardee's compliance with the objective because the state communicated with and relied on information from the counties where the equipment is located as part of the control system for accounting and controlling equipment purchased with HAVA funds.

Objective 3: Control Activities and its underlying principles were deemed to be significant to our determination of the awardee's compliance with the objective. The Control Activities component includes the design and implementation of specific tasks performed by individuals within the entity to fulfill their duties and responsibilities and to respond to identified risks. These principles address the design and implementation of activities related to management review, segregation of duties (including restriction of access with the information system), and documentation of internal controls and transactions. We determined these principles to be the most significant to the state's use of funds in a manner consistent with the plans provided to EAC.

To implement our audit methodology, below are some of the audit procedures we performed.

- Interviewed appropriate Office employees about the organization and operations of the HAVA program.
- Reviewed prior single audit reports and other reviews related to the State's financial management systems and the HAVA program for the period under review.
- Reviewed policies, procedures and regulations for the Office management and accounting systems as they relate to the administration of the HAVA program.
- Tested major purchases and the supporting documentation.
- Tested randomly sampled payments made with HAVA funds.
- Evaluated compliance with the requirements for accumulating financial information reported to the Commission on the financial status reports and progress reports, accounting for property, purchasing HAVA related goods and services, and using funds in a manner consistent with the budget plan provided to EAC.
- Verified the establishment and maintenance of an election fund.
- Observed the physical security/safeguards of selected equipment purchased with HAVA funds and ensure compliance with federal regulation.
- Verified whether the matching requirement was met and, if so, that matching expenditures met the prescribed criteria and allowability requirements of HAVA.
- Verified program income and interest income were properly accounted for and not remitted to the State's general fund.

**ELECTION SECURITY EXPENDITURES BY BUDGET CATEGORY AND PROGRAM CATEGORY
JUNE 7, 2018 TO SEPTEMBER 30, 2020**

Budget Categories	Program Categories						Total
	Voting Equipment	Election Auditing	Voter Registration Systems	Cyber Security	Communications	Other	
Personnel (Including Fringe)	\$ -	\$ -	\$ 172,951	\$ -	\$ -	\$ 9,830	\$ 182,781
Equipment	-	-	-	-	-	-	-
Subgrants	-	-	-	678,129	-	4,840,371	5,518,500
Training	-	-	-	8,096	-	-	8,096
All Other Costs	-	-	2,730,305	-	43,913	-	2,774,218
Total Direct Costs	\$ -	\$ -	\$ 2,903,256	\$ 686,225	\$ 43,913	\$ 4,850,201	\$ 8,483,595
Indirect Costs (if applied)	-	-	-	-	-	-	-
Total Federal Expenditures	\$ -	\$ -	\$ 2,903,256	\$ 686,225	\$ 43,913	\$ 4,850,201	\$ 8,483,595
Non-Federal Match	1,198,005	-	-	132,725	721,914	-	2,052,644
Total Program Expenditures	\$ 1,198,005	\$ -	\$ 2,903,256	\$ 818,950	\$ 765,827	\$ 4,850,201	\$ 10,536,239

Subgrant Spending By Program Categories

County	Voter						Total
	Voting Equipment	Election Auditing	Registration Systems	Cyber Security	Communications	Other	
APACHE	\$ 123,915	\$ -	\$ -	\$ 6,277	\$ -	\$ -	\$ 130,192
COCHISE	13,002	-	-	96,746	5,517	78,417	193,682
COCONINO	-	-	-	111,809	-	38,776	150,585
GILA	2,800	-	-	-	-	58,630	61,430
GRAHAM	39,082	-	-	91,148	-	36,659	166,889
GREENLEE	-	-	-	79,504	-	5,496	85,000
LA PAZ	98,072	-	-	474	-	1,455	100,001
MARICOPA	-	-	-	124,225	-	2,871,747	2,995,972
MOHAVE	-	-	-	16,406	-	23,344	39,750
NAVAJO	224,072	-	-	30,722	-	27,289	282,083
PIMA	6,773	-	-	168,950	-	216,726	392,449
PINAL	-	-	-	-	-	175,000	175,000
SANTA CRUZ	-	-	-	41,012	-	92,633	133,645
YAVAPAI	49,509	-	-	92,845	-	218,051	360,405
YUMA	-	-	9,564	124,473	16,777	100,603	251,417
Total Direct Costs	\$ 557,225	\$ -	\$ 9,564	\$ 984,591	\$ 22,294	\$ 3,944,826	\$ 5,518,500
Indirect Costs (if applied)	-	-	-	-	-	-	-
Total Federal Expenditures	\$ 557,225	\$ -	\$ 9,564	\$ 984,591	\$ 22,294	\$ 3,944,826	\$ 5,518,500

**SECTION 251 EXPENDITURES BY SPENDING CATEGORY
OCTOBER 1, 2018 TO SEPTEMBER 30, 2020**

<u>Spending Category</u>	Section 251 <u>Funds</u>
Voter Registration System	<u>1,256,202</u>
Total Direct Costs	\$ 1,256,202
Total Program Expenditures	<u><u>\$ 1,256,202</u></u>

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

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



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