

OFFICE OF INSPECTOR GENERAL

U.S. Election Assistance Commission

AUDIT OF THE HELP AMERICA VOTE ACT GRANTS AWARDED TO THE TERRITORY OF GUAM

Report No. G22GU0022-24-01
November 3, 2023



HIGHLIGHTS

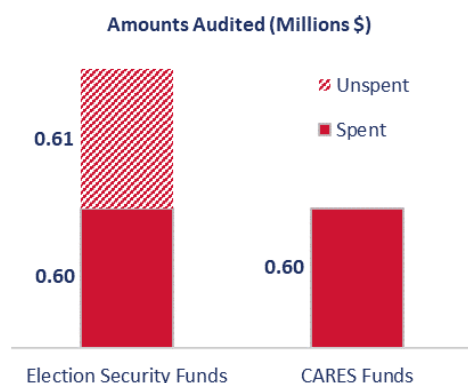
AUDIT OF THE HELP AMERICA VOTE ACT GRANTS AWARDED TO THE TERRITORY OF GUAM

Report No. G22GU0022-24-01

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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 Territory of Guam under the Help America Vote Act (HAVA), including interest earned, totaling \$1.8 million. This included Election Security and Coronavirus Aid, Relief, and Economic Security (CARES) Act grants.



Financial reporting for an additional \$2.4 million in Section 251 funds was also audited.

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

- (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.

The audit also determined if proper closeout procedures were followed for the CARES Act funds.

What OIG Found

OIG found that the Guam Election Commission accounted for and controlled property purchased, used the funds in a manner consistent with the information plans submitted to EAC, and followed proper closeout procedures for CARES Act funds.

However, they did not expend and account for HAVA funds in accordance with requirements. Specifically, (1) the Commission did not account for the federal awards in a manner consistent with its local appropriations; (2) seven CARES expenditures, totaling \$30,991, were unsupported or unallowable; (3) Guam did not include these grants in its Schedule of Expenditures of Federal Awards from 2018 through 2021; and (4) the Commission did not file a federal financial report for its Section 251 grant from 2015 through 2022.

What OIG Recommended

OIG made five recommendations:

- 1 Implement procedures to ensure federal expenditures are accounted for consistent with local appropriations.
- 2 Return \$30,991 for the unallowable and unsupported CARES Act grant expenditures.
- 3 Implement procedures and training to ensure adequate documentation is maintained to support the allowability of HAVA grant expenditures.
- 4 Implement procedures to ensure federal expenditures are accurately included in the Schedule of Expenditures of Federal Awards.
- 5 Implement procedures and training to ensure required federal financial reports are filed timely.



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

DATE: November 3, 2023

TO: U.S. Election Assistance Commission, Executive Director, Steven Frid

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

SUBJECT: Audit of the Help America Vote Act Grants Awarded to the Territory of Guam
(Report No. G22GU0022-24-01)

This memorandum transmits the final report on Help America Vote Act grants awarded to the territory of Guam. 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 five 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 Christy McCormick, Chair
Commissioner Benjamin W. Hovland, Vice Chair
Commissioner Donald L. Palmer
Commissioner Thomas Hicks

McBRIDE, LOCK & ASSOCIATES, LLC

Certified Public Accountants

Established 1980

Performance Audit Report

Administration of Payments Received Under the Help America Vote Act by the Guam Election Commission

Prepared for

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

By

McBride, Lock & Associates, LLC

September 2023

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**Performance Audit Report
Administration of Payments Received Under the Help America Vote Act by
the Guam Election Commission**

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

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 Guam Election Commission (Office). The payments received by the Office are identified as Election Security, Section 251, and the CARES Act. The scope of the audit includes: Election Security administration from inception on August 15, 2018 through March 31, 2022; Section 251 federal financial reporting efforts through March 31, 2022; CARES Act administration from inception on April 16, 2020 through closeout at September 30, 2021. 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; used the funds in a manner consistent with the budget plan provided to EAC. The audit also determined if proper closeout procedures were followed for the CARES Act funds.

In addition, the Commission requires states and territories 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, except for the matters discussed below, we concluded that the Office did not expend and account for HAVA funds in accordance with the requirements, but accounted for and controlled property purchased, used the funds in a manner consistent with informational plans submitted during the audit period, and followed proper closeout procedures for CARES Act funds. The specific exceptions are as follows:

1. The Office does not account for the federal awards in accordance with the procedures used for accounting for its local appropriations. The Office uses the Guam Government Department of Administration AS400 accounting system for all expenditures of the Election Commission from local appropriations. However, the federal funds are tracked within an Excel spreadsheet outside of the accounting system.
2. Seven of the 64 non-payroll expenditures selected for testing (\$30,991 of \$547,494) were determined to be either unsupported or unallowable.
3. The Help America Vote Act funds were not reported on the government of Guam's Schedule of Expenditures of Federal Awards (SEFA) in the single audit reports for the years ended September 30, 2018 - 2021. Per the Office, the Guam Election Commission is an autonomous instrumentality and independent commission of the government of Guam, and the Office has a fiscal year from October 1 through September 30.
4. The Office did not file a Federal Financial Report for the Section 251 funds from 2015 through 2022.

We have included in this report as Appendix A, the Guam Election Commission'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, 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 and Title II 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.
- Maintain documents and records subject to audit to determine whether payments were used in compliance with HAVA.

The Awardee – The Guam Election Commission

The HAVA funds were awarded to the Guam Election Commission. The Guam Election Commission operates as a state and local entity to conduct island-wide elections; maintain a central voter registration system; supervise campaign finance; and act as a repository for public official financial disclosures.

Help America Vote Act Guam Election Commission Plans

The Guam Election Commission's HAVA budget narrative was prepared by the Guam Election Commission Executive Director.

Election Security 2018 and 2020

The main objective of the 2018 project funded by HAVA, as set forth in the budget letter, is to replace and upgrade Guam's voting equipment, purchase and provide training on Election Auditing equipment, purchase equipment and provide training on the voter registration system and management, improve cyber security in coordination with the Department of Homeland Security Assessment, provide CERA training and implement software/equipment and provide training for Campaign Finance tracking.

The objectives of the 2020 project funded by HAVA, as set forth in the budget letter, is to identify cybersecurity and physical security vulnerabilities and develop a plan to address vulnerabilities; expand voter registration system upgrades; and collaborate with election stakeholders to identify other ways to improve election security.

Section 251 Reissued

The Office has not had an interim administrative closeout of their HAVA Section 251 grant due to the Office having not filed a federal financial report since 2014.

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. Specifically, Guam proposed to use the funds to procure cleaning supplies, protective masks, and other related equipment for staff, poll workers, and for use at polling site on election day; hire additional staff for election day for new sanitization procedures for in-person voting; pre- and post-election day deep cleaning of polling places; produce/publish/air Voter Outreach/Educational Campaigns to explain changes to the voting

process as a response to the coronavirus and what precautions the Office was taking to ensure safety of the public; purchase additional absentee voting materials and postage; lease new polling places more conducive for new sanitation procedures for in-person voting.

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.

The audit also determined if proper closeout procedures were followed for the CARES Act funds.

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 August 15, 2018 through March 31, 2022. These funds are related to the appropriation of \$380 million under the Consolidated Appropriations Act (CAA), 2018 (P.L. 115-151), \$425 million under the CAA, 2020 (P.L. 115-141), and \$75 million in 2022. We reviewed the Office's Section 251 federal financial reporting efforts through March 31, 2022. We audited the CARES Act grant funds received and disbursed by the Office from April 16, 2020, through September 30, 2021. These funds are related to the \$400 million authorized by the U.S. Congress under the Coronavirus Aid, Relief and Economic Security Act (P.L. 116-136). The scope of activity audited is shown in the following table:

Description	Election Security	Section 251 (A)	CARES Act
Funds Received from EAC	\$ 1,200,000	\$ 2,319,361	\$ 600,000
State Matching Funds	-	-	-
Interest Income	6,995	48,049	438
Total Funds	\$ 1,206,995	\$ 2,367,410	\$ 600,438
Less Disbursements	(601,715)	(2,367,410)	(600,438)
Fund Balance	\$ 605,280	\$ -	\$ -

Note (A): Funds received from EAC represents the original Section 251 funding. A close out of the original funds has not yet been completed.

The Office's Election Security expenditures detailed by budget and program category and CARES Act expenditures detailed by cost category are included as Appendix C.

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 did not expend and account for HAVA funds in accordance with the requirements, but accounted for and controlled property purchased, used the funds in a manner consistent with informational plans submitted during the audit period, and followed proper closeout procedures for CARES Act funds. The exceptions to applicable compliance requirements are described below.

Finding No. 1 –Financial Management System

The Office does not account for the federal awards in accordance with the procedures used for accounting for its local appropriations.

The Uniform Guidance at 2 CFR 200.302(a) states that “Each state must expend and account for the Federal award in accordance with state laws and procedures for expending and accounting for the state's own funds.”

The Office uses the Guam Government Department of Administration AS400 accounting system for all expenditures of the Election Commission from local appropriations. However, the federal funds are tracked within an Excel spreadsheet outside of the accounting system.

On April 23, 2003 the Office established in Guam Election Commission Resolution GEC-005 that the Office's Executive Director was authorized to designate and establish an interest-bearing checking account or accounts with a reputable bank or depository in order to ensure compliance with the requirements of HAVA with regard to receipt of funds and placement in a separate checking account, not to be commingled with other general funds received by the Office or the Government of Guam. The Office has continued this practice, and established an interest-bearing checking account for both the Election Security grants and the CARES grant. To track the federal funds received and expended, the Office uses Excel files. Generally, the Office makes expenditures in accordance with the Guam Annotated Code and applicable procurement laws.

Accounting for federal awards in a consistent manner as local appropriations helps ensure that internal controls are followed and ensures compliance with Federal statutes, regulations and the terms and conditions of the Federal award. Additionally, the use of an excel spreadsheet rather than a financial management system introduces the risk of errors resulting from reduced controls in posting manual entries and calculations.

Recommendation

1. We recommend that the EAC require the Office to implement procedures to ensure federal expenditures are accounted for in the AS400 accounting system and in accordance with procedures in place for the accounting of local appropriations.

Guam Election Commission's Response:

The Guam Election Commission Commissioners authorized the use an accounting process separate from the Government of Guam Department of Administration to maintain independence and enable compliance with interest bearing account requirements. The account was set up in accordance with guidance provided by legal counsel. Additionally, the GEC understands there are inherent risks associated with operating outside of the accounting system and has reasonable assurance that compensating controls such as policy that requires GEC to abide by the Guam Department of Administration Accounting Guidance as well as monthly submissions to Guam Department of Administration of Financial Reports, Bank Statements, and Reconciliations ensure compliance with accounting of local appropriations.

Auditor's Response:

The audit noted in finding 2 below that certain expenditures did not follow the Department of Administration procedures as a result of not using the AS400 accounting system. The Office should ensure procedures are in place to follow the prescribed internal control procedures if the use of a separate accounting system is continued.

Finding No. 2 – CARES Unallowable and Unsupported Costs

Seven of the 64 non-payroll expenditures selected for testing (\$30,991 of \$547,494) were determined to be either unsupported or unallowable.

Two of the seven transactions (\$22,423) did not follow the documented internal control procedures. The two transactions did not have a three-way match of the purchase order, receiving report, and invoice. For one of the two, the payment was in excess of the purchase order and did not agree to the invoices, and for the other transaction there was no receiving report, the payment was in excess of the quotes and the provided purchase orders, and did not agree to the invoice.

The Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) at 2 CFR 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: (c) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity."

The Guam Government, Department of Administration, Form ACC-DPA001, Direct Payment Instructions identifies 14 types of payments against Appropriation Accounts that are authorized per DOA Org. Circular 2014-002.

If the payment is not on the list of 14 types, a three-way-matching must be met and passed as outlined in DOA Org. Circular 2012-015. The three-way-match is: i) a copy of an original purchase order or copy of contract; ii) a final receiving report or release of claim; and iii) a vendor invoice(s).

The Office does not use the AS400 accounting system for the expenditure of Help America Vote Act funds causing the three-way match not to be met and passed.

Five of the seven transactions (\$8,568) were determined to be unallowable. The five transactions were for food purchases of breakfast or lunch, which is not an allowable use of the funds per the 2020 HAVA CARES Act Grant instructions. The Office provided an email dated August 17, 2020 sent to the EAC grants team seeking approval, and the Office states that approval was received from the EAC grants team over the telephone. However, the provided EAC Guidance is to allow meal expenditures if the meal was for staff working overtime. This would not include breakfast or lunch because it falls during regular work hours, but dinner for staff working overtime can be considered a reasonable and necessary expense as long as it is documented as part of the record.

The Uniform Guidance at 2 CFR 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: (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items. (g) Be adequately documented."

The Office made the purchases of food items based on the guidance they received from EAC. The Office's position is that the food purchases are allowable.

The audit noted \$22,423 of costs which were unsupported and \$8,568 of costs which did not meet the stated purpose of the award per the terms and conditions.

Recommendation

We recommend that the EAC require the Office to:

2. Return \$30,991 to the EAC for the unallowable and unsupported CARES Act grant expenditures noted.
3. Implement procedures and training to ensure adequate documentation is maintained to support the allowability of expenditures charged to the HAVA grants.

Guam Election Commission's Response:

GEC confirms that the funds were used as intended for overtime meals. The auditor notes that breakfast and lunch meals were not allowable as overtime meals. The GEC measures overtime on a weekly basis as opposed to a daily basis. The meals being questioned were costs incurred after

an individual had exceeded their weekly hours required. Often this occurred early in the week, for example Wednesday making breakfast and lunch on Thursday and Friday part of overtime. Further, early voting and election day polling sites were set up at different locations throughout the island, requiring GEC employees to travel. The two transactions totaling \$22,423 were for sanitation of polling rooms (\$19,095) and automobile rentals (\$3,328) for both the general election, and the required runoff election that took place fourteen days after the general election. The additional amounts of each transaction was approved by the Executive Director for the required runoff election.

Auditor’s Response:

The resolution process should verify that the \$8,568 of meals expenditures were for staff that had exceeded the weekly overtime threshold to determine allowability of the costs. The Office should ensure that all expenditures of federal HAVA funds are properly documented in accordance with local policies.

Finding No. 3 – Errors in Reporting of Expenditures on the SEFA

The Help America Vote Act funds were not reported on the government of Guam's single audit reports Schedule of Expenditures of Federal Awards (SEFA) for the years ended September 30, 2018 - 2021. Per the Office, the Guam Election Commission is an autonomous instrumentality and independent commission of the government of Guam, and the Office has a fiscal year from October 1 through September 30.

The Office’s transaction listing had expenditures for the fiscal years 2018 – 2021 as follows:

<u>Fiscal Year Ended</u> <u>September 30,</u>	<u>HAVA</u> <u>Expenditures</u>
2021	\$ 356,873
2020	772,412
2019	57,315
2018	3,276

The Uniform Guidance at 2 CFR 200.302(b) states that, “The financial management system of each non-Federal entity must provide for the following (1) Identification, in its accounts, of all Federal awards received and expended and the Federal programs under which they were received. Federal program and Federal award identification must include, as applicable, the Assistance Listings title and number, Federal award identification number and year, name of the Federal agency, and name of the pass-through entity, if any.”

The Office prepares the financial information in an Excel spreadsheet and maintains the election fund in a bank account. The Office submits to the Government of Guam Department of Administration copies of financial reports and bank statements related to HAVA expenditures. However, the expenditures are not reported on the Government of Guam’s SEFA.

Proper identification of all federal award expenditures increases the likelihood that the entity complies with the requirements of federal programs.

Recommendation

4. We recommend that the EAC require the Office to implement procedures to ensure federal expenditures are accurately identified in the Schedule of Expenditures of Federal Awards going forward.

Guam Election Commission's Response:

The GEC recognizes the importance of proper identification of all federal award expenditures. As noted by the auditor, the GEC provides its financial information as well as bank statements to ensure verifiable and accurate information of all federal award expenditures is available to the Government of Guam Department of Administration.

The GEC did **NOT** reach the SEFA expenditures threshold of \$700,000 of the Security Grant in any given year. The table in the auditor's report is an aggregate view. Please note an updated iteration to support GEC not reaching the \$700,000 threshold (see table in Appendix A-1).

The GEC had a reasonable expectation that the Department of Administration will include the information in the Schedule of Expenditures of the Federal Awards if the totals meet the reporting requirements. The GEC will include guidance to the Department of Administration that states the following information is being provided to be included in SEFA reporting if required to each financial report submission.

Auditor's Response:

The threshold at which a Uniform Guidance audit would be required is \$750,000 of total federal expenditures across all federal awards. If the Government of Guam exceeded this threshold in any year, then all federal awards would be required to be reported on a Schedule of Expenditures of Federal Awards, regardless of amount. The Office's total expenditures between the Election Security and CARES grants in 2020 exceeded \$750,000.

Finding No. 4 – Delays in Financial Reporting

The Office did not file a Federal Financial Report for the Section 251 funds from 2015 through 2022.

The terms and conditions of the grant awards require the submission of an accurate and complete Federal Form 425 (Federal Financial Report) which reflect the uses of award funds and the interest and program income generated from those funds. HAVA Title IX, Section 902. AUDITS AND REPAYMENT OF FUNDS, Part (a) – Recordkeeping Requirement states, "Each recipient of a grant or other payment made under this Act shall keep such records with respect to the payment as are consistent with sound accounting principles, including records which fully disclose the amount and disposition by such recipient of funds, the total cost of the project or undertaking for

which such funds are used, and the amount of that portion of the cost of the project or undertaking supplied by other sources, and such other records as will facilitate an effective audit.”

The Office’s last Section 251 FFR was filed March 31, 2015 and was for the 2014 federal fiscal year. During the audit, the Office began working with EAC to file the Section 251 final report. The Office submitted an annual FFR for the Section 251 funds through September 30, 2022 on December 28, 2022 and a semi-annual FFR for the Section 251 funds through March 31, 2023 on May 6, 2023. No audit steps were performed related to the financial information reported since the Section 251 grant has not been closed out and reissued.

Proper and timely reporting of award funds ensures that the funds are tracked and spent in accordance with federal regulations.

Recommendation

We recommend that the EAC require the Office to:

5. Implement procedures and training to ensure required Federal Financial Reports are timely filed.

Guam Election Commission’s Response:

The GEC acknowledges the importance of submitting Federal Financial Reports in a timely manner. Due to a clerical oversight, reports were submitted in other than FINAL form. Going forward GEC will update procedures to confirm ‘FINAL’ and continue to submit reports in a timely manner.

Auditor’s Response:

The EAC resolution process should ensure that procedures are implemented to ensure timely submission of future Federal Financial Reports.

The Office responded on October 23, 2023, and generally agreed with the report’s Findings. The EAC responded on October 23, 2023, and stated that they will work with the Guam Election Commission to implement and complete appropriate corrective action on the findings by May 31, 2024. 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 October 13, 2022, and September 13, 2023.

McBride, Lock & Associates, LLC

McBride, Lock & Associates, LLC
Kansas City, Missouri
September 13, 2023

APPENDIX A-1

Response of the Guam Election Commission to the Draft Report



GUAM ELECTION COMMISSION

Kumision Ileksion Guåhan

Your VOTE is your voice. √ BOTA ya un ma kuenta.



October 23, 2023

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

Hafa Adai Inspector General Schletz:

Si Yu'os mã'ase' (thank you) for the support and assistance of the U.S. Election Assistance! The responses of the Guam Election Commission(GEC) for each of the audit findings follow.

Audit Finding No. 1 Financial Management System

The Guam Election Commission Commissioners authorized the use an accounting process separate from the Government of Guam Department of Administration to maintain independence and enable compliance with interest bearing account requirements. The account was set up in accordance with guidance provided by legal counsel. Additionally, the GEC understands there are inherent risks associated with operating outside of the accounting system and has reasonable assurance that compensating controls such as policy that requires GEC to abide by the Guam Department of Administration Accounting Guidance as well as monthly submissions to Guam Department of Administration of Financial Reports, Bank Statements, and Reconciliations ensure compliance with accounting of local appropriations.

Audit Finding No. 2 CARES Unallowable and Unsupported Costs

GEC confirms that the funds were used as intended for overtime meals. The auditor notes that breakfast and lunch meals were not allowable as overtime meals. The GEC measures overtime on a weekly basis as opposed to a daily basis. The meals being questioned were costs incurred after an individual had exceeded their weekly hours required. Often this occurred early in the week, for example Wednesday making breakfast and lunch on Thursday and Friday part of overtime. Further, early voting and election day polling sites were set up at different locations throughout the island, requiring GEC employees to travel. The two transactions totaling \$22,423 were for sanitation of polling rooms (\$19,095) and automobile rentals (\$3,328) for both the general election, and the required runoff election that took place fourteen days after the general election. The additional amounts of each transaction was approved by the Executive Director for the required runoff election.

Audit Finding No. 3 – Errors in Reporting of Expenditures on the SEFA

The GEC recognizes the importance of proper identification of all federal award expenditures. As noted by the auditor, the GEC provides its financial information as well as bank statements to ensure verifiable and accurate information of all federal award expenditures is available to the Government of Guam Department of Administration.

The GEC did **NOT** reach the SEFA expenditures threshold of \$700,000 of the Security Grant in any given year. The table in the auditor's report is an aggregate view. Please note an updated iteration to support GEC not reaching the \$700,000 threshold.

FISCAL YEAR ENDED SEPTEMBER 30	HAVA EXPENDITURES	CARES	TOTALS
2021	\$356,873		
2020	\$171,979.16	\$600,432.84	\$772,412
2019	\$57,315	-	
2018	3,276	-	

The GEC had a reasonable expectation that the Department of Administration will include the information in the Schedule of Expenditures of the Federal Awards if the totals meet the reporting requirements. The GEC will include guidance to the Department of Administration that states the following information is being provided to be included in SEFA reporting if required to each financial report submission.

Audit Finding No. 4 – Delays in Financial Reporting

The GEC acknowledges the importance of submitting Federal Financial Reports in a timely manner. Due to a clerical oversight, reports were submitted in other than FINAL form. Going forward GEC will update procedures to confirm 'FINAL' and continue to submit reports in a timely manner.

Again, si Yu'os mã'ase'(thank-you) for the assistance and support of the U.S. Election Assistance Commission. Please let us know if additional information will be helpful.

Sinseramente,

/s/

MARIA I.D. PANGELINAN
Executive Director

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: Risa Garza, Interim Grants Director

Risa Garza

DATE: October 30, 2023

RE: Response to Draft Audit Report of Grants Awarded to the Guam Election Commission, OIG Report No. G22GU0022-24-0X

This is the EAC's response to the OIG draft audit of HAVA funds awarded to the Guam Election Commission (Office) and serves as the EAC's management decision. The scope of the audit included HAVA Sections 251, 101 Election Security and 101 CARES grants. The EAC generally agrees with the recommendations and describes our management decisions related to each one below.

Finding and Recommendations #1, Financial Management System: The auditors found that the Office does not account for federal awards in accordance with the procedures used for accounting for its local appropriations. The auditors recommend that the EAC require the Office to:

1. Implement procedures to ensure federal expenditures are accounted for in the AS400 accounting system and in accordance with procedures in place for the expenditure of local appropriations.

Management Decision:

As noted in this report, the Office is an independent and autonomous agency of the Government of Guam and adheres to the Government of Guam Department of Administration Division of Accounts Policies and Procedures. The EAC reviewed the Guam Election Commission Resolution GEC-005 and further discussed accounting practices with the Office to determine whether additional controls are needed. The Office confirmed that the establishment of a separate interest-bearing account for HAVA funds not only fulfills the HAVA requirement regarding interest earned on federal funds, but also ensures that the Office can administer fair, independent elections without influence or the appearance of influence from external parties.

Although the Office does not use the AS400 system, they have implemented several internal controls and procedures to ensure consistent accounting of federal awards and local appropriations, including compliance with the Guam Department of

Administration Accounting Guidance and monthly submissions of financial reports, bank statements, and reconciliations to the Department of Administration for review. However, to ensure compliance with 2 CFR 200.403, the EAC will work with the Office to identify areas in need of updated standard operating procedures to ensure that internal controls exist in the tracking of contract deviations, purchase allowability, documentation of invoice review and approval in accordance to procedures in place for the expenditure of local appropriations. We are requiring the Office to work with the Division of Accounting to develop new accounting policies and to document consistent procedures that will be applied to all federal appropriations. They expect to complete the process and have policies and procedures in place by January 31, 2024.

Finding #2 and Recommendations #2 and #3, CARES Unallowable and

Unsupported Costs: The auditors questioned \$30,991 of non-payroll expenditures as unsupported and unallowable. They found that two transactions totaling \$22,423 did not follow documented internal control procedures and five transactions totaling \$8,568 were unallowable because they were for food purchases that did not qualify under the guidance provided by the EAC. The auditors recommend that the EAC require the Office to:

2. Return \$30,991 to the EAC for the unallowable and unsupported CARES Act grant expenditures noted.
3. Implement procedures and training to ensure adequate documentation is maintained to support the allowability of expenditures charged to the HAVA grants.

Management Decision: The Office identified two extenuating factors that caused the discrepancy in documentation for the unsupported costs. They attributed the lack of matching documentation to changes in services rendered after initial vendor quotes were accepted. The EAC will review the Office's documentation of these changes to ensure that the expenses were properly authorized and will provide technical assistance to the Office to help them develop and implement internal controls for the maintenance of appropriate documentation for HAVA expenditures. The Office confirmed its internal policies stating that staff overtime is measured on a weekly rather than a daily basis. The guidance provided by the EAC to the Office was not properly documented, however, the EAC determined that meals that occurred during overtime hours would be allowable under HAVA/CARES. The lunch versus dinner example was based on a measure of overtime on a daily basis. However, per the Office's explanation of internal overtime policies, the EAC will review the meal expenditures and staff timesheets to determine whether meals occurred during overtime hours as defined by the Office.

Finding #3 and Recommendation #4, SEFA Reporting: The auditors found that HAVA funds were not reported on the government of Guam's single audit reports Schedule of Expenditures of Federal Awards (SEFA) for the years ended September 30, 2018-2021. The auditors recommend that the EAC require the Office to:

4. Implement procedures to ensure federal expenditures are accurately identified in the Schedule of Expenditures of Federal Awards going forward.

Management Decision: The EAC will work with the Office to develop procedures to ensure accurate reporting of HAVA expenditures in the SEFA.

Finding #4 and Recommendation #5, Delays in Financial Reporting: The auditors found that the Office did not file a Federal Financial Report for Section 251 funds from 2014 through 2022. The auditors recommend that the EAC require the Office to:

5. Implement procedures and training to ensure required Federal Financial Reports are timely filed.

Management Decision: As note in this report, the Office has worked with the EAC to file updated financial reports on their Section 251 grant award. The EAC will provide further technical assistance and guidance to the Office to ensure proper procedures are developed and implemented for timely grant report submissions.

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

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 territory's proper use of funds and compliance with award requirements.

Information and Communication and its underlying principles were deemed to be significant to our determination of the awardee's compliance with the FFR reporting portion of this objective. These principles address the quality of the information and the internal communication processes used to compile the data necessary to meet the territory's reporting objectives.

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 Territory'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 Office is required to communicate physical inventory information with the Department of Administration 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 territory'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 territory'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 interest income was properly accounted for and not remitted to the territory's general fund.

**ELECTION SECURITY EXPENDITURES BY BUDGET CATEGORY AND PROGRAM CATEGORY
AUGUST 15, 2018 TO MARCH 31, 2022**

Budget Categories	Program Categories							Total
	Voting Equipment	Election Auditing	Voter Registration Systems	Cyber Security	Communications	Campaign Finance	Training	
Personnel (Including Fringe)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Equipment	466,018	-	-	57,138	-	-	4,369	527,525
Subgrants	-	-	-	-	-	-	-	-
Training	440	-	36,172	3,197	-	32,179	-	71,988
All Other Costs	-	-	1,908	-	-	-	294	2,202
Total Direct Costs	\$ 466,458	\$ -	\$ 38,080	\$ 60,335	\$ -	\$ 32,179	\$ 4,663	\$ 601,715
Indirect Costs (if applied)	-	-	-	-	-	-	-	-
Total Federal Expenditures	\$ 466,458	\$ -	\$ 38,080	\$ 60,335	\$ -	\$ 32,179	\$ 4,663	\$ 601,715
Non-Federal Match	-	-	-	-	-	-	-	-
Total Program Expenditures	<u>\$ 466,458</u>	<u>\$ -</u>	<u>\$ 38,080</u>	<u>\$ 60,335</u>	<u>\$ -</u>	<u>\$ 32,179</u>	<u>\$ 4,663</u>	<u>\$ 601,715</u>

**CARES ACT EXPENDITURES BY COST CATEGORY
APRIL 16, 2020 TO SEPTEMBER 30, 2021**

Cost Categories	Federal Amount
Voting Processes	\$ 113,265
Staffing	308,571
Supplies	47,483
Training	74,748
Other	56,371
Total CARES Expenditures	<u>\$ 600,438</u>

**MONETARY IMPACT AS OF SEPTEMBER 30, 2021 FOR CARES ACT
GRANT**

Description	Questioned Costs	Unsupported Costs	Additional Funds for Program
CARES	\$ 8,568	\$ 22,423	\$ -
Total	<u>\$ 8,568</u>	<u>\$ 22,423</u>	<u>\$ -</u>



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