



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

FINAL REPORT:

**Election System of the Virgin Islands'
Compliance with the Help America Vote
Act of 2002**

**Report No.
E-HP-VI-01-13
October 2013**



U.S. ELECTION ASSISTANCE COMMISSION
OFFICE OF INSPECTOR GENERAL
1335 East West Highway - Suite 4300
Silver Spring, MD 20910

Memorandum

October 31, 2013

To: Alice Miller
Acting Executive Director

From: Curtis W. Crider *Curtis W. Crider*
Inspector General

Subject: Final Performance Audit Report – Election System of the Virgin Islands'
Compliance with the Help America Vote Act of 2002 (Assignment Number
E-HP-VI-01-13)

Attached for your review and comment is the report entitled *Election System of the Virgin Islands' Compliance With the Help America Vote Act of 2002*, dated August 2013. The review was conducted by the U.S. Department of the Interior, Office of Inspector General (DOIOIG) on behalf of the U.S. Election Assistance Commission, Office of Inspector General.

In its audit, the DOIOIG found that Election System of the Virgin Islands' (ESVI) lax posture on internal controls put \$3.3 million in HAVA funds and other funding at risk of fraud, waste, or mismanagement. The audit found:

- no supporting documentation or certification for payroll activities;
- circumvention of procedures established to prevent the abuse of work time;
- no written justification or comparison quotes for small purchases;
- inaccurate and late Federal Financial Reports, including financial reports due months ago that still have not been submitted;
- no supporting documentation for funds spent and transferred between bank accounts;
- poor accounting for fees collected, making program income vulnerable to fraud, waste, and mismanagement;
- a petty cash account for the Office that is susceptible to misuse because it is managed by one person;
- no inventory records for Office property, leaving voting and office equipment unaccounted for;
- noncompliance with HAVA-required expenditure levels for local elections for 4 fiscal years; and
- noncompliance with administrative complaint procedures, resulting in voters' grievances not being addressed.

As a result, DOIOIG questioned the ESVI's Office of Supervisor of Election (Office) ability to properly account for any of the HAVA funds it received. DOIOIG specifically questioned approximately \$1.1 million associated with payroll and procurement deficiencies, inaccurate and late financial reporting, unsecured equipment, and unreported program income.

In its September 30, 2013 response to the draft report (Attachment A-1), the Government of the Virgin Islands provided comments to the findings and corrective actions, as applicable, to address the recommendations. Also included in the report, is the EAC response to the draft report (Appendix A-2), which indicated that the EAC would work with the Government of the Virgin Islands to ensure corrective action.

We would appreciate being kept informed of the actions taken on our recommendations as we will track the status of their implementation. Please respond in writing to the findings and recommendation included in this report by December 31, 2013. Your response should include information on actions taken or planned, targeted completion dates, and titles of officials responsible for implementation.

The legislation creating the Office of Inspector General requires that we report to Congress semiannually on all audit reports issued, actions taken to implement our recommendations, and recommendations that have not been implemented.

If you have any questions regarding this report, please call me at (202) 734-3104.

Attachments

cc: Director of Grants and Payments



OFFICE OF
INSPECTOR GENERAL
U.S. DEPARTMENT OF THE INTERIOR

ELECTION SYSTEM OF THE VIRGIN ISLANDS' COMPLIANCE WITH THE HELP AMERICA VOTE ACT OF 2002



OFFICE OF
INSPECTOR GENERAL
U.S. DEPARTMENT OF THE INTERIOR

AUG 08 2013

Curtis Crider
Inspector General
U.S. Election Assistance Commission
Office of Inspector General
1201 New York Avenue, NW.
Suite 300
Washington, DC 20005

Re: Final Audit Report – Election System of the Virgin Islands’ Compliance With the Help America Vote Act of 2002
Report No. VI-RR-OIG-0001-2013

Dear Mr. Crider:

This report presents the results of our audit of the Election System of the Virgin Islands’ (ESVI) compliance with the requirements of the Help America Vote Act of 2002 (HAVA).

Our audit revealed an absence of basic internal controls at ESVI’s Office of the Supervisor of Elections (Office). This environment has led to the mismanagement and poor administration of HAVA funds. Our findings included deficiencies in payroll and procurement, internal controls, and property management, as well as inaccurate and late financial reporting and unreported program income. We also found that ESVI did not meet all of HAVA’s administrative requirements.

ESVI’s lax posture on internal controls has put \$3.3 million in HAVA funds and other funding at risk of fraud, waste, or mismanagement. We offer 20 recommendations designed to improve the Office’s internal controls and its implementation of HAVA.

We appreciated the opportunity to work with you on this project. If you have any questions concerning this report, you may contact me at 202-208-5745 or Hannibal Ware, Eastern Regional Manager, at 703-487-8058.

Sincerely,

Mary L. Kendall
Deputy Inspector General

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Results in Brief

We received a request from the U.S. Election Assistance Commission (EAC) Office of Inspector General to review the Election System of the Virgin Islands' (ESVI) compliance with the Help America Vote Act of 2002 (HAVA). In response, we audited ESVI's compliance with HAVA and other applicable administrative requirements.

We found a reluctance to adhere to even the most basic internal controls at ESVI's Office of the Supervisor of Elections (Office). This environment has led to the mismanagement and poor administration of HAVA funds by the Office. During our audit, we found—

- no supporting documentation or certification for payroll activities;
- circumvention of procedures established to prevent the abuse of work time;
- no written justification or comparison quotes for small purchases;
- inaccurate and late Federal Financial Reports, including financial reports due months ago that still have not been submitted;
- no supporting documentation for funds spent and transferred between bank accounts;
- poor accounting for fees collected, making program income vulnerable to fraud, waste, and mismanagement;
- a petty cash account for the Office that is susceptible to misuse because it is managed by one person;
- no inventory records for Office property, leaving voting and office equipment unaccounted for;
- noncompliance with HAVA-required expenditure levels for local elections for 4 fiscal years; and
- noncompliance with administrative complaint procedures, resulting in voters' grievances not being addressed.

As a result, we question the Office's ability to properly account for any of the HAVA funds it received. We specifically question approximately \$1.1 million associated with payroll and procurement deficiencies, inaccurate and late financial reporting, unsecured equipment, and unreported program income.

Introduction

Objective

The objective of this audit was to determine whether the Election System of the Virgin Islands (ESVI) expended Help America Vote Act of 2002 (HAVA) payments in accordance with the act and related administrative requirements, and whether it complied with the HAVA requirements for replacing punch card or lever voting machines, establishing an election fund, and maintaining Virgin Islands expenditures for elections at a level not less than what was expended in fiscal year (FY) 2000. We performed this audit at the request of the U.S. Election Assistance Commission's (EAC) Office of Inspector General.

See Appendix 1 for the full scope and methodology we followed to perform this audit.

Background

HAVA was enacted to set minimum election administration standards for State and local governments. As part of this goal, HAVA established a program that provides funds to State and local governments to—

- meet specific voting requirements;
- improve the administration of Federal elections;
- educate voters;
- train election officials and poll workers;
- develop State plans; and
- improve, acquire, or replace voting equipment.

The program also provides funds to improve the accessibility and quality of polling places and to set up hotlines for voters so that they can obtain election information or report fraud or voting rights violations.

In addition, HAVA established EAC to—

- issue guidelines;
- make grant awards;
- provide oversight, monitoring, and technical assistance; and
- review the use of HAVA funds.

In the U.S. Virgin Islands, HAVA is administered by ESVI's Office of the Supervisor of Elections (Office). The Office fulfills ESVI's day-to-day administration. ESVI's policymaking bodies are the Joint Board of Elections, the St. Thomas-St. John District Board of Elections, and the St. Croix District Board of Elections. Our audit focused primarily on the Office's HAVA-related activities.

In July 2003, a committee of Virgin Islands representatives developed a State plan to implement HAVA requirements. ESVI received \$3.3 million in funds under Titles I and II of HAVA to carry out the improvements outlined in the plan. As of December 2011, ESVI had expended \$1.8 million of these funds. Title I funds were awarded for election administration improvements and for replacement of punch card and lever voting machines. Title II funds were awarded to meet Title III requirements for voting system standards, provisional voting, and implementing a computerized voter registration list.

In accordance with HAVA, the Virgin Islands Election Fund was established by Act 6584 of the Virgin Islands Legislature. Act 6584 requires the Commissioner of Finance to administer the Election Fund as a separate and distinct fund in the Government's treasury. The Election Fund should consist of amounts appropriated by the Legislature, all HAVA payments made to the Virgin Islands, and interest earned on HAVA funds, which is used to carry out more HAVA activities. HAVA funds are transferred from the Election Fund, which is a savings account, to a fund known as the "Special and Other Fund," which is a checking account used by ESVI and other Virgin Islands Government agencies. Both funds are managed by the Virgin Islands Department of Finance (DOF).

Findings

We found that the Office disregarded the basic tenet of internal controls, which protects the integrity of any organization. Specifically, we found major deficiencies in the administration of payroll, procurement, financial reporting, program income, imprest (petty cash) fund, and property. Moreover, ESVI did not meet all of HAVA's administrative requirements for fiscal year funding levels and administrative complaint procedures.

Of the \$1.8 million in HAVA funds ESVI expended, we question over \$1.1 million—approximately 60 percent—because of the discrepancies we found in these areas (see Appendix 2).

Payroll and Procurement Deficiencies

Federal salary and wage standards require payroll charges to be supported by proper documentation and periodic certification of hours worked. We found, however, that the Office could not provide documentation to identify employees who worked on HAVA projects or the pay periods and hours for which employees were paid with HAVA funds. It also could not certify the amount of time employees spent on HAVA-related activities.

The Office spent \$438,452 of HAVA Title I funds for salaries from September 2003 to December 2007. According to Office officials, three employees were paid with HAVA funds; however, we received documentation to support payroll costs for just two employees. Because the Office could not provide complete supporting documentation, we question \$221,129 of the amount it claimed.

Furthermore, the Office could not provide documentation certifying the hours worked on HAVA-related activities. Office officials told us that they used logbooks to record time and attendance, but when we requested the logbooks to support the payroll costs charged to HAVA, they could not provide them.

We also found that the Office circumvents the Government of the Virgin Islands' biometric punch clock system, which uses employees' fingerprints to log their arrival and departure times. This system, implemented Governmentwide to prevent the abuse of work time, was installed at the Office in June 2012, but most of the Office's employees have never used it. Because the Office did not provide time and attendance records and the system was not being used, there was no assurance that Office employees were not abusing time. This potential for abuse could affect not only HAVA funds, but also any other funding the Office uses for payroll.

Finally, the Office did not follow procurement rules and regulations for small purchases, which require comparison quotes from vendors and written justification letters to support purchases up to \$50,000. We reviewed five small purchases for services and equipment, totaling \$17,149, and discovered that none

were supported by comparison quotes or written justification. We therefore question the entire \$17,149.

Recommendations

We recommend that EAC require the Office to:

1. Maintain documentation to support all payroll costs related to HAVA;
2. Certify payroll costs to ensure that HAVA funds are used properly; and
3. Follow procurement requirements for small purchases.

Inaccurate and Late Financial Reporting

Federal regulations require that a State's financial management system include accounting procedures to ensure accurate, current, and complete financial reporting. These procedures should identify the source and application of funds and include accounting records supported by source documents.

The Office could not provide supporting documents for \$123,166 in Title I funds to procure voting machines and services such as advertising, printing, training, and travel. It also transferred \$1,974,111 from the Election Fund to the Special and Other Fund between July 2004 and October 2011. Of this amount, the Office could not provide supporting documentation for \$161,593. Because the Office did not provide supporting documentation for these two amounts, we question the total, \$284,759.

In addition to Federal regulations over accounting procedures, EAC requires the Office to file annual Federal Financial Reports detailing all HAVA-related activities. Financial activities for Title I and II funds are reported on separate forms and must be submitted by the end of each calendar year. We found several inaccuracies in the Office's reports. For example, the Office—

- over-reported \$238,898 in Title II funds in FY 2010;
- did not report \$878 in Title I funds spent in calendar year 2005; and
- did not report \$331 in interest income during the period we reviewed.

Moreover, the Office submitted its Federal Financial Reports late eight times—with an average delay of over 6 months—and, as of March 2013, it still had not prepared its reports for FY 2012. The Office also arbitrarily changed its reporting period from fiscal year to calendar year without EAC's approval. The Office's inaccurate and late financial reporting brings into question the reliability of the information that EAC uses to carry out its responsibility for oversight and monitoring of HAVA funds.

Recommendations

We recommend that EAC require the Office to:

4. Provide documentation to support HAVA funds expended; and
5. File accurate, on-time Federal Financial Reports and submit the FY 2012 report.

Unreported Program Income

Under Federal regulations, program income includes income from fees collected by an agency for services it performs. HAVA program income comes from fees collected for late campaign disclosures, voter registration lists, and other election-related services. EAC requires that the Office's program income be dedicated to uses permitted under HAVA and that it be reported on its Federal Financial Reports.

The Office collected program income for different purposes and deposited those fees into two separate accounts. Fees collected to replace voter identification cards were deposited into the Special and Other Fund, which is maintained by the Department of Finance (DOF). Fees collected for late campaign disclosures, voter registration lists, and other election-related services were deposited into the Office's Imprest Fund Checking Account (Account), a petty cash account maintained solely by the supervisor of elections.

The Office claimed it collected \$113,345 in program income during the period we reviewed and that it deposited the funds into the accounts. Because the Office did not provide basic accounting records to support its claim, however, we could not ensure that all of the fees it collected had been deposited.

For example, the Office's St. Thomas location did not give us any cashier receipts and deposit slips to verify fees collected and deposited. The only documentation St. Thomas provided was interoffice memoranda to the supervisor and summaries to DOF prepared from October 2006 to December 2012. During that time, the Office reported collecting fees of \$52,946.

The St. Croix location provided more supporting documentation for its claim of \$60,399 in collections. Due to discrepancies in reports, cashier receipts, and deposit slips, however, we question whether all fees collected had been deposited. For example, we found the following:

- In eight instances, fee collectors did not maintain the required number of copies of receipts for voided transactions. In one of these instances, the amount recorded on a voided receipt was also reported as collected and deposited.

- In two instances, dates on cashier receipts were changed to reflect fee collections and deposits made later (see Figure 1):

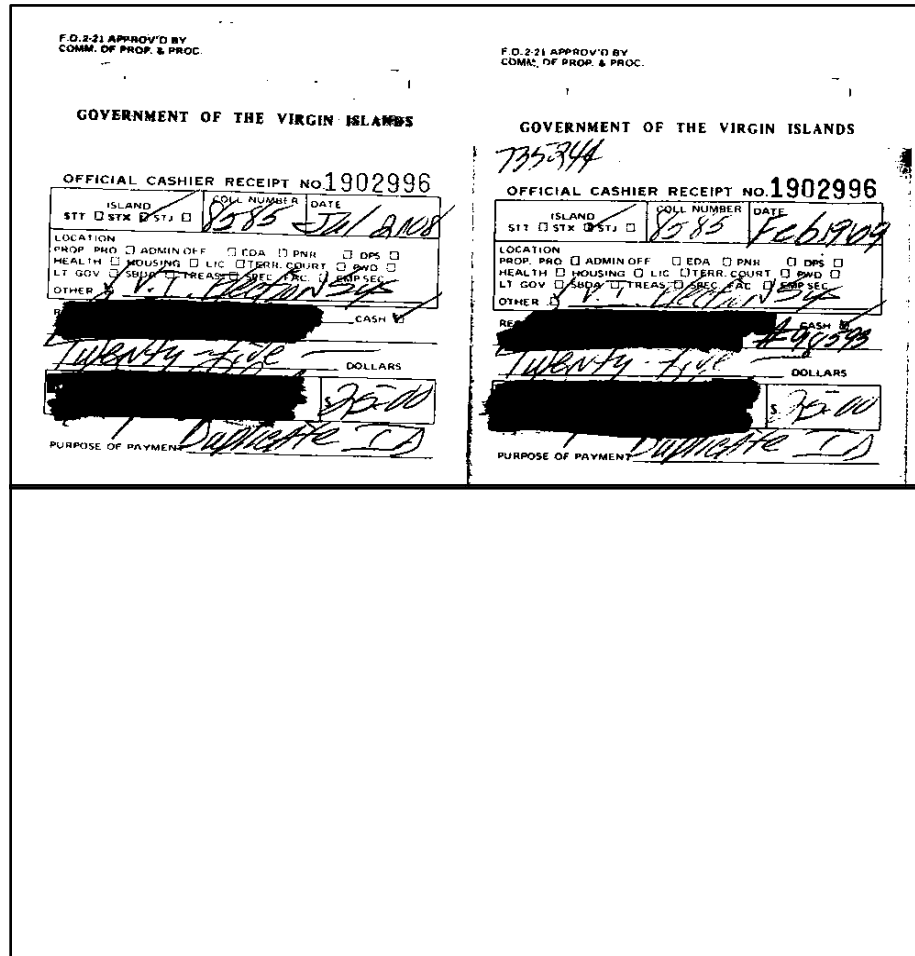


Figure 1. Altered dates on cashier receipts (dates circled).

- In some instances, cashier receipts totaled more than the amounts deposited; other receipts totaled less.

These examples are potential fraud indicators, exposing an environment of poor collection practices and an absence of internal controls.

In addition, although EAC requires that program income be used only for HAVA-related activities, we found that the Office instead used the \$113,345 it claimed to have collected for its operating expenses, such as office supplies. The Office also did not report any program income on its Federal Financial Reports.

Recommendations

We recommend that EAC:

6. Require the Office to accurately determine the total amount of unreported program income collected;
7. Require the Office to amend its Federal Financial Reports to include program income earned from FY 2003 to FY 2011;
8. Require the Office to report program income earned for FY 2012 and future reporting periods;
9. Work with the Office to resolve the unreported program income of \$113,345;
10. Require the Office to establish adequate controls by maintaining reports, cashier receipts, and deposit slips to ensure that the amounts collected for program income are reported and deposited; and
11. Require the Office to deposit all program income into the Election Fund.

Deficiencies With Internal Controls for Imprest Fund Checking Account

In June 1998, the Virgin Islands Legislature passed Act No. 6239, establishing the Imprest Fund Checking Account (Account) for the Office. The act gave the supervisor of elections sole authority to write checks from the Account. The act also established the Voter Identification and Registration Fund, which consists of all sums appropriated by the Legislature and all fees collected by the Office to replace voter identification cards.

Monies in the Voter Identification and Registration Fund are disbursed into the Account by the Commissioner of DOF. Although DOF is responsible for maintaining a record of all monies deposited and disbursed from the Account, DOF officials confirmed that the Office was managing this Account—and doing so separately from DOF's financial system.

We attempted to review the transactions in the Account. Beginning in January 2013, we made many requests to the Office for the 123 bank statements covering the period from October 2002 to December 2012. The Office eventually provided 6 statements in April 2013, and DOF also provided the 24 bank statements it had received from the supervisor—altogether, less than a quarter of the statements we requested. The 30 statements we reviewed had deposits totaling \$22,250. Because we did not receive all of the statements and many of the statements we received

had pages missing, we were unable to determine the entire amount deposited into the Account. Furthermore, we were unable to determine whether the funds were used for legitimate purposes.

In addition to our difficulties obtaining the Account's bank statements, we are concerned about the Account's transactions. In the 30 statements we reviewed, we found 5 instances in which the supervisor wrote checks to himself. The checks' memo lines simply stated that the payments were reimbursements. In addition to writing checks, the supervisor was the only one making deposits into the Account. Moreover, the Account was not reconciled internally, but by an external contractor—a contractor who reported directly to the supervisor.

A fundamental element of strong internal controls is the segregation of certain key duties. Segregation of duties, including making deposits, writing checks, and reconciling accounts, reduces the likelihood of undetected fraud, waste, and mismanagement. Because duties surrounding the Account were not segregated, the Account was left susceptible to misuse. We referred this issue to our Office of Investigations for further review.

Recommendations

We recommend that EAC:

12. Require the Office to stop depositing HAVA-related fees into the Imprest Fund Checking Account; and
13. Require the Joint Board of Elections to establish safeguards to mitigate the potential fraudulent use of the Imprest Fund Checking Account.

Property Management Deficiencies

The Code of Federal Regulations (41 C.F.R. § 105-71.132) states that a property control system must have adequate safeguards to prevent loss, damage, or theft of property. Property records should include property descriptions, serial numbers, identification numbers, sources, acquisition dates, locations, cost, and condition. In addition, a physical inventory of property must be taken and the results reconciled with the records at least once every 2 years.

We found that the Office did not maintain detailed property records to properly account for all of the equipment it purchased with HAVA funds. We were able to verify that the Office spent \$550,189 for voting machines, e-poll books, servers, and other items, but we could not locate the items on the Office's inventory lists. We also received incomplete inventory lists, which prevented us from tracing pieces of equipment from the lists to their physical location or vice versa. The absence of property records makes it impossible to ascertain the location and

condition of the equipment. For these reasons, we question the \$550,189 the Office spent on equipment.

Moreover, the Office did not conduct any of the required physical inventories of equipment. None of the officials we interviewed could remember the last time a physical inventory had been conducted.

When equipment is no longer needed for the original project or program, an agency must request disposition instructions from the awarding agency. Office officials informed us that they did not know the Federal procedures for disposing of equipment. Although the Office's St. Croix location gave us a 2010 list of disposable items, Office officials did not know if the items had actually been disposed of.

Recommendations

We recommend that EAC require the Office to:

14. 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;
15. Conduct physical inventories at least once every 2 years and reconcile them to property records; and
16. Reconcile any equipment previously disposed of and adhere to Federal guidelines for future disposals.

ESVI Did Not Meet All of HAVA's Administrative Requirements

HAVA requires States using Title II funds to maintain expenditures at least at the amount expended in FY 2000. The requirement was intended to prevent State governments from using HAVA funds instead of local funds. For ESVI, this expenditure level was \$1.4 million.

We found that the Government of the Virgin Islands did not comply with the expenditure requirement during FYs 2003, 2004, 2012, and 2013, for a total shortage of \$1,028,303 (see Figure 2). According to EAC guidance, when States fail to meet the established expenditure requirement, the issue is to be addressed through EAC's audit resolution process.

Maintenance of Expenditures *Indicates FYs Underfunded

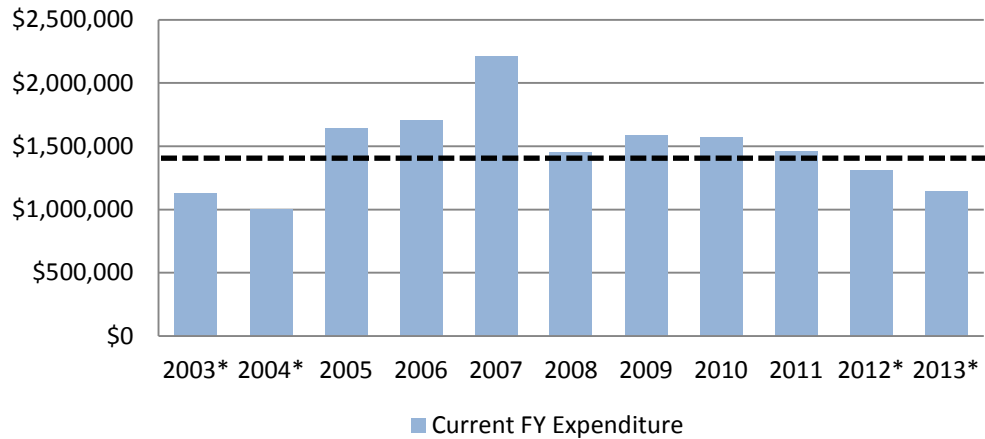


Figure 2. ESVI expenditures from FY 2003 to FY 2013. The black dotted line indicates FY 2000 expenditure levels of \$1.4 million.

HAVA also requires that States establish administrative complaint procedures as a condition of receiving funds. The procedures must be uniform and nondiscriminatory; any person who believes that there is a violation of any provision of Title III may file a written, notarized complaint. The complainant may also request a hearing. If a violation is found, the State is required to provide the appropriate remedy. If the complaint is dismissed, the results should be published. According to the procedures, the State must make a final determination about the complaint within 90 days from the date it is filed.

We found that the Office did not adequately follow HAVA’s administrative complaint procedures. We reviewed all 13 notarized complaints recorded for 2 election cycles and found that the Office had not responded to 12 of them. For the one complaint the Office did respond to, we did not find any documentation to prove that the issue had been resolved.

We also found that complaint files were incomplete and disorganized. Complaints recorded in logbooks were not found in complaint files. Further, complaints were loosely filed and detached from their supporting documents; resolutions were not kept with original complaints; and we were not provided complaints addressed to board members, which are logged separately from complaints to the Office.

These issues concerning the administrative complaint procedures and maintaining complaint files indicate that ESVI did not follow HAVA administrative requirements, resulting in voters’ grievances not being addressed.

Recommendations

We recommend that EAC:

17. Require the Government of the Virgin Islands to maintain expenditures at the FY 2000 expenditure level as required by HAVA § 254(a)(7);
18. Address the failure to meet established expenditure requirements through its audit resolution process;
19. Require the Office to adhere to administrative complaint procedures in accordance with HAVA § 402(a); and
20. Require the Office to maintain a complete complaint file that includes, at a minimum, all complaints, responses, records of hearings, and outcomes.

Conclusion and Recommendations

Conclusion

Internal controls promote efficiency, reduce fraud risks, and help ensure the integrity of operations and compliance with applicable laws and regulations. To be effective, internal controls require the maintenance of proper records for the flow of timely, relevant, and reliable information.

A sound internal control environment would have mitigated the deficiencies we found in the Office's administration of payroll, procurement, financial reporting, program income, imprest fund, and property. In addition to these deficiencies, basic HAVA requirements for maintaining a funding level and adhering to administrative complaint procedures were not attained. ESVI's lax posture on internal controls has put \$3.3 million in HAVA funds and other funding at risk of fraud, waste, or mismanagement.

We have forwarded information about the Imprest Fund Checking Account to our Office of Investigations for further examination.

Recommendations Summary

We recommend that EAC:

1. Require the Office to maintain documentation to support all payroll costs related to HAVA;
2. Require the Office to certify payroll costs to ensure that HAVA funds are used properly;
3. Require the Office to follow Federal and local requirements for small purchases;
4. Require the Office to provide documentation to support HAVA funds expended;
5. Require the Office to file accurate, on-time Federal Financial Reports and submit the FY 2012 report;
6. Require the Office to accurately determine the total amount of unreported program income collected;
7. Require the Office to amend its Federal Financial Reports to include program income earned from FY 2003 to FY 2011;
8. Require the Office to report program income earned for FY 2012 and future reporting periods;

9. Work with the Office to resolve the unreported program income of \$113,345;
10. Require the Office to establish adequate controls by maintaining reports, cashier receipts, and deposit slips to ensure that the amounts collected are reported and deposited;
11. Require the Office to deposit all program income into the Election Fund;
12. Require the Office to stop depositing HAVA-related fees into the Imprest Fund Checking Account;
13. Require the Joint Board of Elections to establish safeguards to mitigate the potential fraudulent use of the Imprest Fund Checking Account;
14. Require the Office to 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 location, cost, and condition;
15. Require the Office to conduct physical inventories at least once every 2 years and reconcile to property records;
16. Require the Office to reconcile any equipment previously disposed of and adhere to Federal guidelines for future disposals;
17. Require the Government of the Virgin Islands to maintain expenditures at the FY 2000 expenditure level as required by HAVA § 254(a)(7);
18. Address the failure to meet established expenditure requirements through its audit resolution process;
19. Require the Office to adhere to administrative complaint procedures in accordance with HAVA § 402(a); and
20. Require the Office to maintain a complete complaint file that includes, at a minimum, all complaints, responses, records of hearings, and outcomes.

Appendix I: Scope and Methodology

Scope

We conducted this 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 our audit objectives.

Our scope included a review of activities and transactions that occurred from October 2002 to December 2012. We performed our work from December 2012 to April 2013. Our scope was limited by Office officials' inability to provide all records for payroll, program income collected, the Imprest Fund Checking Account, and complaints. To accomplish our audit objective, we reviewed records and interviewed Election System of the Virgin Islands (ESVI) officials. We also conducted site visits of ESVI offices in the St. Thomas-St. John and St. Croix Districts, and the Departments of Finance and Property and Procurement. We also interviewed officials at the Office of Management and Budget and the Bureau of Information Technology.

During the audit, several obstacles arose that limited the scope of our work. The Office was unable to supply documentation for almost everything we asked to review, including supporting documentation or certifications for payroll, written justification or comparison quotes for small purchases, support for funds spent and transferred between bank accounts, and inventory records for Office property. As a result, we were unable to review all transactions and determine the full extent of the discrepancies we noted.

Methodology

To accomplish our objective, we reviewed the entire universe of Help America Vote Act payroll charges, Federal Financial Reports, Election Fund transfers, program income, Imprest Fund Checking Account bank statements, and ESVI's annual budgets. We also selected a judgmental sample in the area of procurement and reviewed all of the administrative complaints on file at the Office.

We also reviewed computer-processed data provided by the Virgin Islands Department of Finance for calendar years 2003 to 2009. We assessed the reliability of the data as part of our review and noted major discrepancies. We did not use the data for the purpose of our review; thus, the data did not affect the performance of our audit steps.

Appendix 2: Monetary Impact

Questioned Costs	
Unsupported Costs:	
Payroll and Procurement Deficiencies	\$238,278
Inaccurate and Late Financial Reporting	\$284,759
Unsecured Equipment	\$550,189
Total Questioned Costs	\$1,073,226
Funds To Be Put to Better Use	
Unreported Program Income	\$113,345
Total Funds To Be Put to Better Use	\$113,345
Overall Monetary Impact	\$1,186,571

**THE UNITED STATES VIRGIN ISLANDS**OFFICE OF THE GOVERNOR
GOVERNMENT HOUSE**Charlotte Amalie, V.I. 00802**
340-774-0001

September 30, 2013

Mr. Curtis Crider
Inspector General
U.S. Election Assistance Commission
Office of Inspector General
1201 New York Ave. NW Suite 300
Washington, DC 20005

Dear Inspector General Crider:

This correspondence acknowledges receipt of your letter dated August 16, 2013 seeking my review and comments on the proposed report entitled Election System of the Virgin Islands' Compliance with the Help America Vote Act of 2002 (HAVA).

On behalf of the Government of the Virgin Islands (GVI), and the Election System of the Virgin Islands (ESVI), I would like to thank the U.S. Department of the Interior, Office of the Inspector General and the U.S. Election Assistance Commission (EAC), Office of the Inspector General for its review of the Election System of the Virgin Islands' proposed report, and also for its continued support and willingness to work collaboratively with ESVI to ensure that corrective actions are implemented that sufficiently address the deficiencies and recommendations.

The Election System of the Virgin Islands has a new Supervisor of the Board of Elections and a newly elected board. The Supervisor along with her team is working feverishly to comply with the recommendations of the U.S. Election Assistance Commission. Enclosed, for your review and acceptance, is the ESVI's response to each of the recommendations, and the person responsible and the due date, and/or implementation date.

Thank you for the opportunity afforded the GVI to review and comment on the Draft Audit Report. I am confident that the Supervisor and ESVI will continue to proactively pursue full compliance in accordance with the Help America Vote Act of 2002 (HAVA).

Sincerely,

A handwritten signature in blue ink, appearing to read "John P. de Jongh, Jr.", written over a circular stamp.

John P. de Jongh, Jr.
Governor

**Election System of the Virgin Islands
Response to the Draft Letter Audit Report
Of the Office of the U.S. Department of Interior,
Office of the Inspector General on behalf of the
U.S. Election Assistance Commission
(Report No. VI-RR-OIG-0001-2013, August 2013)**

FINDINGS

- Payroll and Procurement Deficiencies
- Inaccurate and Late Financial Reporting
- Unreported Program Income
- Deficiencies With Internal Controls for Imprest Fund Checking Account
- Property Management Deficiencies
- ESVI Did Not Meet ALL of HAVA's Administrative Requirements

Election Systems of the Virgin Islands (ESVI) disregarded the basic tenet of internal controls, which protects the integrity of any organization. Specifically, major deficiency in the administration of payroll, procurement, financial reporting, program income, imprest (petty cash) fund, and property were found.

Recommendations (Election Assistance Commission (EAC))

1. Require the Office to maintain documentation to support all payroll costs related to Help America Vote Act of 2002 (HAVA).
2. Require the Office to certify payroll costs to ensure that HAVA funds are used properly.
3. Require the Office to follow Federal and local requirements for small purchases.
4. Require the Office to provide documentation to support HAVA funds expended.
5. Require the Office to file accurate, on-time Federal Financial Reports and submit the FY 2012 report.
6. Require the Office to accurately determine the total amount of unreported program income collected.
7. Require the Office to amend its Federal Financial Reports to include program income earned from FY 2003 to FY 2011.
8. Require the Office to report program income earned for FY 2012 and future reporting periods.
9. Work with the Office to resolve the unreported program income of \$113,345.
10. Require the Office to establish adequate controls by maintaining reports, cashier receipts, and deposit slips to ensure that the amounts collected are reported and deposited.
11. Require the Office to deposit all program income into the Election Fund.
12. Require the Office to stop depositing HAVA – related fees into the Imprest Fund Checking Account.

13. Require the Joint Board of Elections to establish safeguards to mitigate the potential fraudulent use of the Imprest Fund Checking Account.
14. Require the Office to 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 location, cost, and condition.
15. Require the Office to conduct physical inventories at least once every two (2) years and reconcile to property records.
16. Require the Office to reconcile any equipment previously disposed of and adhere to Federal guidelines for future disposals.
17. Require the Government of the Virgin Islands to maintain expenditures at the FY 2000 expenditure level as required by HAVA 254(a)(7).
18. Address the failure to meet established expenditure requirements through its audit resolution process.
19. Require the Office to adhere to administrative complaint procedures in accordance with HAVA 402(a); and
20. Require the Office to maintain a complete complaint file that includes, at a minimum, all complaints, responses, records of hearings, and outcomes

Election Systems of the Virgin Islands Response

Recommendation No. 1

The Election System of the Virgin Islands (ESVI) concurs.

Action Plan: ESVI will develop procedures to address hiring employees with the HAVA funds, certification, file management and the maintenance of supporting documentation relative to payroll costs.

Due Date: January 31, 2014

Person Responsible: Deputy Supervisor of Elections

Recommendation No. 2

The Election System of the Virgin Islands (ESVI) concurs.

Action Plan: Once an employee is hired, certification of payroll will be implemented to ensure compliance with the HAVA program.

Due Date: January 31, 2014

Person Responsible: Deputy Supervisor of Elections

Recommendation No. 3

The Election System of the Virgin Islands (ESVI) concurs.

Action Plan: ESVI will obtain and maintain a copy of the Property & Procurement and the federal guidelines on small purchases. ESVI will inform all employees of the procedures and ensure these guidelines are adhered to for all small purchases. ESVI will institute a management quality control check by reviewing all purchases requests monthly.

Due Date: October 30, 2013

Person Responsible: Deputy Supervisor of Elections

Recommendation No. 4

The Election System of the Virgin Islands (ESVI) concurs.

Action Plan: ESVI will develop internal fiscal control measures and adhere to the Department of Finance regulations on purchase orders. ESVI will ensure all documentation is attached with requests, i.e. receipts, invoice, and approved contract with signature page. Files will be maintained as per HAVA guidelines. ESVI will conduct quarterly inspection.

Due Date: November 30, 2013

Person Responsible: Deputy Supervisor & Administrative Assistant

Recommendation No. 5

The Election System of the Virgin Islands (ESVI) concurs.

Action Plan: ESVI will complete FY 2012 Federal Financial Report and follow the HAVA scheduled reporting periods.

Due Date: November 1, 2013

Person Responsible: Deputy Supervisor & Supervisor of Elections

Recommendation No. 6

The Election System of the Virgin Islands (ESVI) concurs.

Action Plan: ESVI has obtained a copy of EAC Advisory 07-002 dated March 20, 2007 – “Program Income and Set-off of Cost Incident to Program Income” and will accurately determine the total amount of unreported program income going forward. ESVI will obtain all bank statements for FY 2012 to determine the amount of program income collected and then complete the HAVA Report. Henceforth, ESVI will comply with HAVA requirements and submit timely Reports.

Due Date: December 1, 2013

Person Responsible: Supervisor of Elections

Recommendation No. 7

The Election System of the Virgin Islands (ESVI) concurs.

Action Plan: ESVI will review and amend the Federal Financial Reports from FY 2003-2011 to include program income as applicable. ESVI will obtain copies of all relevant financial reports, and bank statements to assist in the preparation of these reports. ESVI will coordinate with the HAVA point of contact to receive any additional guidance on the way forward. ESVI will submit corrected FY 03-FY 11 reports once this process is completed.

Due Date: August 31, 2014

Person Responsible: Supervisor of Elections

Recommendation No. 8

The Election System of the Virgin Islands (ESVI) concurs.

Action Plan: ESVI will obtain copies of the interest earned financial reports from the Department of Finance and the current bank statement from First Bank to verify the amount of funds applicable to this report. ESVI will prepare the FY 2012 report to reflect program income. ESVI will ensure program income is reported accurately on all reports going forward.

Due Date: November 15, 2013

Person Responsible: Deputy Supervisor & Supervisor

Recommendation No. 9

The Election System of the Virgin Islands (ESVI) concurs.

Action Plan: ESVI will work with the HAVA Point of Contact to resolve the unreported program income of \$113,345. ESVI will conduct extensive research, review and reconcile the unreported program income. Next step, ESVI will prepare and submit the reports with the accurate amount of program income.

Due Date: June 22, 2014

Person Responsible: Deputy Supervisor & Supervisor

Recommendation No. 10

The Election System of the Virgin Islands (ESVI) concurs.

Action Plan: ESVI will purchase QuickBooks software and install the program on the server to provide accessibility to all employees. ESVI will utilize the Enterprise Resource Planning module which is hosted by the Department of Finance to track HAVA and the Election System funds. ESVI will segregate the roles and responsibilities relevant to the receipt and processing of cash. ESVI will establish adequate controls for the processing of cashier receipts and deposit slips. ESVI will maintain the applicable files and reports and conduct monthly, quarterly and annual reviews. ESVI will develop internal fiscal control measures to ensure this deficiency is not repeated.

Due Date: December 31, 2013

Person Responsible: Supervisor of Elections

Recommendation No. 11

The Election System of the Virgin Islands (ESVI) concurs.

Action Plan: ESVI will obtain a copy of the September Bank Statement and begin the process of depositing all program income into the Election Fund Account. ESVI will develop procedures to ensure this process is implemented and followed in the future. ESVI will review bank statement monthly and prepare a quarterly report for the Joint Board to review.

Due Date: October 30, 2013

Person Responsible: Deputy Supervisor and Election Assistant

Recommendation No. 12

The Election System of the Virgin Islands (ESVI) concurs.

Action Plan: ESVI will immediately cease depositing HAVA related fees into the Imprest Fund Checking Account. ESVI will develop procedures to establish proper protocol in designating distinct funding accounts. ESVI will conduct monthly reviews and reconciliations.

Due Date: October 15, 2013

Person Responsible: Supervisor of Elections

Recommendation No. 13

The Election System of the Virgin Islands (ESVI) concurs.

Action Plan: ESVI will discuss at the Joint Board meeting scheduled for 3rd October the requirement and importance of establishing safeguards to mitigate the potential fraudulent use of the Imprest Fund.
The Joint Board members needs to prepare a proposal to the 30th Legislature to amend Title 33 of Virgin Islands Code to have this law changed.
Once the proposal is submitted to the Legislature, ESVI will follow up with the Legislative Branch until this law is amended. Effective immediately, ESVI will require two signatures, a Board Chair and the Supervisor, prior to the withdrawal of any funds from the Imprest Account.

Due Date: January 1, 2015

Person Responsible: Joint Board Chair

Recommendation No. 14

The Election System of the Virgin Islands (ESVI) partially concurs. Last inventory was conducted on March 5, 2008 by Property and Procurement.

Action Plan: ESVI will develop procedures for receiving, inventorying, storage and disposal of local and federal government property, to gain control of and account for all equipment. ESVI will conduct a physical inventory of all ESVI equipment on both islands. ESVI will establish protocols for conducting periodic inventory going forward.

Due Date: June 30, 2014

Person Responsible: Deputy Supervisor of Elections

Recommendation No. 15

The Election System of the Virgin Islands (ESVI) concurs.

Action Plan: ESVI will conduct physical inventories biennially and reconcile to property records.

Due Date: December 31, 2015

Person Responsible: Deputy Supervisor of Elections

Recommendation No. 16

The Election System of the Virgin Islands (ESVI) concurs.

Action Plan: ESVI will obtain a copy of the federal guidelines on disposal of equipment and adhere to the guidelines going forward. ESVI will review documentation of previously disposed equipment, annotate accordingly and maintain the relevant files. ESVI will prepare reports on disposed equipment, if applicable.

Due Date: November 15, 2013

Person Responsible: Deputy Supervisor and Administrative Assistant

Recommendation No. 17

The Election System of the Virgin Islands (ESVI) concurs.

Action Plan: ESVI will remind the Government of the Virgin Islands of the requirement to comply with HAVA 254(a) (7). ESVI will ensure the Annual Budget report addresses this federal mandate and it is constantly on the forefront when briefing the Legislature. ESVI will inform the Office of Management & Budget and Department of Finance of this HAVA funding law.

Due Date: January 1, 2014

Person Responsible: The Legislature, Joint Board, and Supervisor of Elections

Recommendation No. 18

The Election System of the Virgin Islands (ESVI) concurs.

Action Plan: ESVI will address the deficiencies with our designated Election Assistance Commission representative once the final report is received. ESVI's goal is to correct the deficiencies and not have any repeated deficiencies.

Due Date: March 31, 2014

Person Responsible: Supervisor of Elections

Recommendation No. 19

The Election System of the Virgin Islands (ESVI) concurs.

Action Plan: ESVI will adhere to administrative complaint procedures in accordance with HAVA 402 (a). This policy is presently posted on our website; however, we will ensure the citizens are aware, educated on its use and encourage the utilizing of this process. ESVI will create or revise complaint forms to establish the proper protocol use of administrative complaints. ESVI will maintain compliance with HAVA procedures and guidelines.

Due Date: November 30, 2013

Person Responsible: Supervisor of Elections

Recommendation No. 20

The Election System of the Virgin Islands (ESVI) concurs.

Action Plan: ESVI will maintain a complete complaint file that includes all complaints, at a minimum, all responses, records of hearings and outcomes. ESVI will emphasize the importance of this requirement to all staff members, Board members and election part-time workers. ESVI will maintain compliance with HAVA procedures and guidelines.

Due Date: November 30, 2013

Person Responsible: Supervisor of Elections

GOVERNMENT OF
THE VIRGIN ISLANDS OF THE UNITED STATES

Election System of the Virgin Islands

P.O. Box 1499 • KINGSHILL • ST. CROIX • U.S. VIRGIN ISLANDS 00851-1499
P.O. Box 6038 • ST. THOMAS • U.S. VIRGIN ISLANDS 00801-6038

Mr. Curtis Crider
Inspector General
U.S. Election Assistance Commission
Office of Inspector General
1201 New York Ave. NW- Suite 300
Washington, DC 20005

September 27, 2013

Re: Draft Audit Report – Election System of the Virgin Islands Compliance with
the Help America Vote Act of 2002
Report No. VI-RR-OIG-001-2013

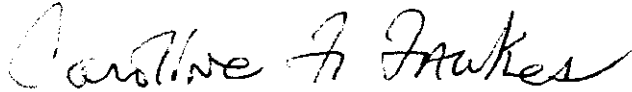
Dear Inspector General Crider:

As the new Supervisor of the Elections Systems of the Virgin Islands (ESVI) effective August 19, 2013, I have reviewed the audit report findings and provided responses to each deficiency in order to maintain compliance with federal regulations. Enclosed please find details outlining ESVI responses to your proposed corrective action. The ESVI agree with the conclusion and will work to minimize the impact of any future audit findings.

The Election System of the Virgin Islands is dedicated to upholding an effective system of compliance concerning the administration of the HAVA funds, and to working diligently to improving our operations. ESVI also are thankful for the professional manner in which you and your staff conducted the review, the granting of an extension, and your readiness to share best practices.

If you have any questions or comments regarding our response to the audit report, please contact the undersigned at 340-773-1021.

Sincerely,

A handwritten signature in black ink that reads "Caroline F. Fawkes". The signature is written in a cursive style with a large initial 'C'.

Caroline F. Fawkes
Supervisor - Election System of the VI

Enclosure

Cc: Ms. Alecia M. Wells, Joint Chairperson
Mr. Arturo Watlington, Jr. STT-STJ District Chairperson
Mr. Adelbert M. Bryan, STX District Chairperson



EAC RESPONSE TO THE DRAFT AUDIT:

OIG Performance Audit Report on the Administration of Payments Received Under the Help America Vote Act by the Election System of the Virgin Islands, for the Period September 2003 through December 2007.

October 29, 2013

MEMORANDUM

To: Curtis Crider
Inspector General

From: Alice P. Miller, Chief Operating Officer &
Acting Executive Director

Subject: Draft Performance Audit Report – “Administration of Payments Received Under the Help America Vote Act by the Election System of the Virgin Islands”

Thank you for this opportunity to review and respond to the draft audit report for the Election System of the Virgin Islands (ESVI).

The Election Assistance Commission (EAC) will work with the (ESVI) to ensure appropriate corrective action.

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Office of Inspector General
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Fax: (301) 734-3115

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Office of Inspector General
1335 East West Highway – Suite 4300
Silver Spring, MD 20910

E-mail: eacoig@eac.gov

OIG Hotline: 866-552-0004 (toll free)

On-Line Complaint Form: www.eac.gov/inspector_general/

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