

**STATE BOARD OF ELECTIONS  
RICHMOND, VIRGINIA**

**REPORT ON AUDIT  
FOR THE EIGHTEEN MONTHS ENDED  
DECEMBER 31, 1999**



## **AUDIT SUMMARY**

Our audit of the State Board of Elections for the eighteen months ended December 31, 1999, found:

- Proper recording and reporting of transactions, in all material respects, in the Commonwealth Accounting and Reporting System;
- A matter we consider a reportable condition; however, we do not consider this matters to be material weaknesses in internal control; and
- One instance of noncompliance that is required to be reported.

Our audit findings are discussed in the section “Internal Control and Compliance Findings and Recommendations” and are entitled:

- Complete a Comprehensive System of Information Security, and
- Report Violations of the Campaign Finance Disclosure Act.

## **AGENCY BACKGROUND**

The State Board of Elections (Board) supervises and coordinates the work of local voter registration officials (Registrars) and Electoral Board members (election officials) who register voters and conduct elections within their jurisdictions. Its statutory mission is to ensure statewide uniformity of voter registration and election procedures and fairness, accuracy, purity, and legality in all elections in the Commonwealth.

The Board provides localities funding to pay the salaries and some expenses of the Registrars and election officials. Compensation reimbursement amounts are generally calculated based on the most recent population estimates from the U.S. Census Bureau or the University of Virginia's Center for Public Service. The reimbursement period is March through February. The Board also provides guidance, certifies all voting equipment, qualifies candidates for nomination and election, and certifies statewide, general assembly, and shared constitutional officer election results.

Additionally, the Code of Virginia requires that the Board receive and catalog all candidate and committee campaign finance report files. To support this requirement the Board verifies all reports are complete and submitted on time, assessing civil penalties for late, incomplete, or un-filed reports.

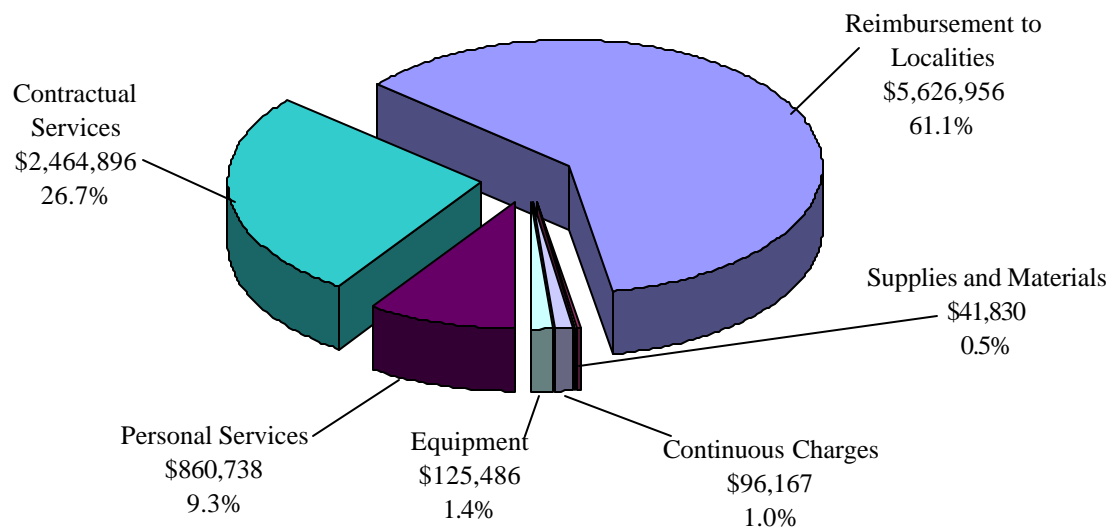
The Board began accepting electronic filing of campaign finance disclosure reports in January of 1999. The Board implemented the Campaign Finance Disclosure Act software in April 1999 to facilitate the electronic filing process. Currently, all candidates running for statewide offices are required to file electronically. Beginning January 1, 2001, the Board will be required to key information into the campaign finance database for all General Assembly candidates who continue to file paper reports.

### **Funding**

General Fund appropriations support the majority of the Board's activities. The Board received \$9,958,840 and \$11,065,100 in general fund appropriations in fiscal year 1999 and fiscal year 2000, respectively. The Board also collects minimal revenues from the assessment of Campaign Finance Disclosure fines (civil penalties) on behalf of the Commonwealth and receives expenditure refunds from the sale of copies of voter registration listings and campaign finance reports.

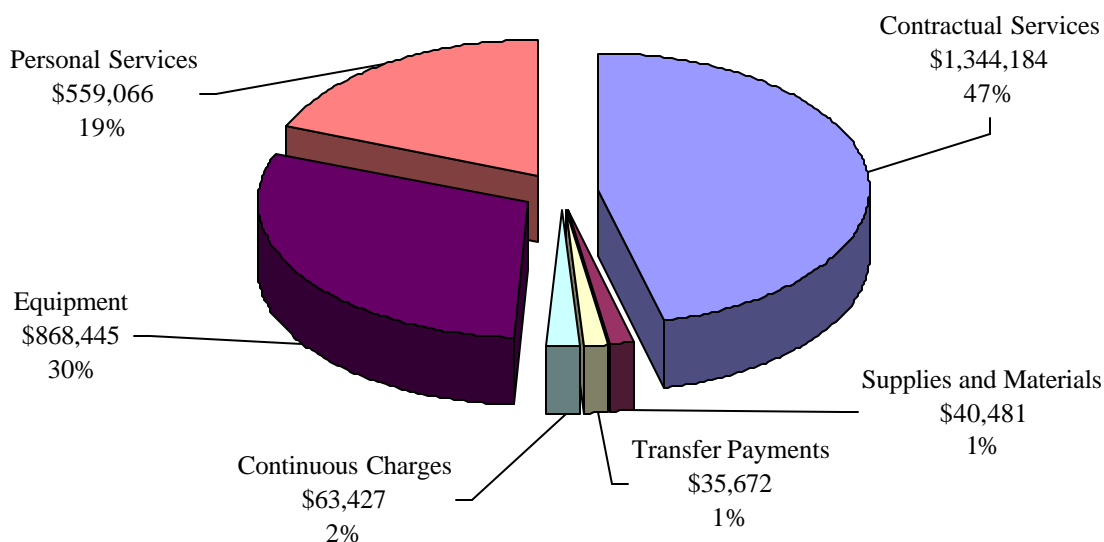
During FY 99, 61 percent of the Board's total expenditures were for reimbursements to localities.

**Total Expenditures for Fiscal Year 1999**



As of December 31, 1999, the Board had spent \$2,911,275. These expenditures exclude the majority of the reimbursements to localities for fiscal year 2000 as they normally occur during the final quarter of the fiscal year. Expenditures for equipment include a one-time purchase to upgrade the computer hardware in the 135 general registrars' offices in Virginia, totaling \$781,301.

### **Total Expenditures to Date for Fiscal Year 2000 as of December 31, 1999**



### **Virginia Voter Registration System**

To support its primary mission, the Board maintains the Virginia Voter Registration System (VVRS), which retains all voter registration information. The Board sends all voter applications they receive to the locality in which the voter resides and the local registrars enter the data into the VVRS. The locality is responsible for checking the data for accuracy and completeness and verifying voter eligibility. Local registrars mail a voter registration card to all approved voter registration applicants usually within one day.

The information maintained in the VVRS system includes name, SSN, address, date of birth, gender, precinct, and what elections the individual voted in. The State Board of Elections aids in the maintenance of the system by providing training and other support to the localities.

During fiscal year 1998, the Board began the process of replacing the VVRS system. The General Assembly appropriated the Board \$150,000 of general funds in fiscal year 1999 to conduct a study to determine the best option for replacement of the current VVRS. The study committee reported several different options to improve the VVRS and recommended that the Board conduct a second study with a more technical focus to proceed with planning and review of replacing the VVRS. To facilitate the future implementation of this system the Board received a one-time appropriation of \$980,000 for equipment upgrades in the general registrars' offices.

The second committee completed its review in the fall of 1999 and issued a report in December 1999. The second committee made specific recommendations regarding the proposed database, operating platform, and server location. They also proposed minor modifications to the Code of Virginia to support the new system. The Board received a \$250,000 appropriation in fiscal year 2000 to continue systems development initiatives.

The actual system development project began in December of 1999. The Board plans for the first phase, which will allow for the migration of data from the current mainframe system to a new relational database, to be

implemented between January and June 2001. The overall project budget through 2001 is approximately \$3.5 million. Assuming continued funding, the second phase of the project, which will expand the functionality of the relational database, will be implemented during fiscal year 2002. Project costs that will be incurred in fiscal year 2002 have not yet been budgeted.

The VVRS system development oversight committee will conduct a third review during calendar year 2000, and issue their report in the fall of 2000. The Board will request the remaining funds based on this report.

## **INTERNAL CONTROL AND COMPLIANCE FINDINGS AND RECOMMENDATIONS**

### **Complete a Comprehensive System of Information Security**

The Board has implemented its information systems over time and across different platforms. It has partially addressed security concerns within individual systems, yet it has done so without utilizing the required tools to ensure adequate and appropriate levels of protection for the information technology resources under their control. As it moves to upgrade, integrate, and broaden the exchange of information, the Board needs to develop and implement a more global and comprehensive system of information security.

The Board developed a Year 2000 contingency plan that addressed the Campaign Finance Disclosure Software. The Board should review the contingency plan to ensure procedures are reasonable for disasters other than year 2000. The contingency management plan should provide reasonable assurance that critical data processing support can continue, or resume within an acceptable time frame, if there is an interruption to normal operations. The plan should also address all systems critical to the Board's mission, including the VVRS.

The Board has not completed a business impact and risk analysis. The Commonwealth of Virginia Information Technology Resource Management, Standard 95-1, requires each agency to conduct a business impact and risk analysis. The Board's business impact analysis should provide reasonable assurance that all potentially sensitive information is identified. The Board's risk analysis should document the adequacy of existing safeguards and additional safeguards needed to ensure proper security.

Furthermore, the Board should regularly revisit these analyses and plans to ensure there are appropriate safeguards on both existing and new systems. The Board should also test the contingency plan and document test procedures and results.

After completing the various plans, the Board will need to implement security safeguards to address the identified risks over their internal and external networks of systems. When dealing with the various responsibilities for information security standards and safeguards, the Board should document these decisions. As important, is the conversion of these decisions into policies and procedures, which will comprise the Board's future comprehensive internal control system for information systems. Finally, management must commit to an ongoing program of security awareness and training to ensure the success of this process.

### **Report Violations of the Campaign Finance Disclosure Act**

The Board has not reported violations of the Campaign Finance Disclosure Act to the appropriate attorney for the Commonwealth as required by the Code of Virginia §24.2-928.

Based on the prior year's recommendation the Board has developed procedures to notify the appropriate Commonwealth's Attorney of Campaign Finance and Disclosure Act reporting violations which improves the likelihood of collection and could help bring the Board into compliance with the Code of Virginia §24.2-928. However, due to the level of research required to verify campaign finance reports filed manually and the minimal resources allocated to this effort in previous years, a significant buildup of reports has occurred. Final implementation of the Campaign Finance Disclosure database manager software should aid the Board in maintaining adequate records for electronically filed reports. To date, however, there have been numerous problems with the program, which the Board has been working with the developers to correct.

As a result, while the Board has increased the resources dedicated to this process, it has continued to address late and incomplete report violations on a substantially manual basis and emphasize ensuring current records are correctly filed and catalogued, to meet the needs of outside users of the reports, over the requirement to report violations. The Board should continue to look for ways to improve their compliance with the *Campaign Finance Disclosure Act* over electronically and manually filed reports. This solution may require the temporary allocation of additional resources towards this effort.

June 8, 2000

The Honorable James S. Gilmore, III  
Governor of Virginia  
State Capitol  
Richmond, Virginia

The Honorable Vincent F. Callahan, Jr.  
Chairman, Joint Legislative Audit  
and Review Commission  
General Assembly Building  
Richmond, Virginia

### INDEPENDENT AUDITOR'S REPORT

We have audited the financial records and operations of the **State Board of Elections** for the eighteen months ended December 31, 1999. We conducted our audit in accordance with Government Auditing Standards, issued by the Comptroller General of the United States.

#### Audit Objective, Scope, and Methodology

Our audit's primary objectives were to evaluate the accuracy of recording financial transactions on the Commonwealth Accounting and Reporting System, review the adequacy of the Board's internal control, and test compliance with applicable laws and regulations. We also reviewed the Board's corrective actions of audit findings from prior year reports.

Our audit procedures included inquiries of appropriate personnel, inspection of documents and records, and observation of the Board's operations. We also tested transactions and performed such other auditing procedures, as we considered necessary to achieve our objectives. We reviewed the overall internal accounting controls, including controls for administering compliance with applicable laws and regulations. Our review encompassed controls over the following significant cycles, classes of transactions, and account balances:

Expenditures  
Fixed Assets  
Revenue and Cash Receipts

We obtained an understanding of the relevant internal control components sufficient to plan the audit. We considered materiality and control risk in determining the nature and extent of our audit procedures. We performed audit tests to determine whether the Board's controls were adequate, had been placed in operation, and were being followed. Our audit also included tests of compliance with provisions of applicable laws and regulations.

The Board's management has responsibility for establishing and maintaining internal control and complying with applicable laws and regulations. Internal control is a process designed to provide reasonable, but

not absolute, assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Our audit was more limited than would be necessary to provide assurance on internal control or to provide an opinion on overall compliance with laws and regulations. Because of inherent limitations in internal control, errors, irregularities, or noncompliance may nevertheless occur and not be detected. Also, projecting the evaluation of internal control to future periods is subject to the risk that the controls may become inadequate because of changes in conditions or that the effectiveness of the design and operation of controls may deteriorate.

#### Audit Conclusions

We found that the Board properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System. The Board records its financial transactions on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. The financial information presented in this report came directly from the Commonwealth Accounting and Reporting System.

We noted no new matters involving internal control and its operation that we consider to be material weaknesses. Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to financial operations may occur and not be detected promptly by employees in the normal course of performing their duties.

The results of our tests of compliance with applicable laws and regulations disclosed no new instances of noncompliance that are required to be reported under Government Auditing Standards.

However, the Board has not taken adequate corrective action with respect to the previously reported findings “Complete a Comprehensive System of Information Security” and “Report Violations of the Campaign Finance Disclosure Act.” Accordingly, we included these findings in the subsection entitled “Internal Control and Compliance Findings and Recommendations.” The Board has taken adequate corrective action with respect to audit findings reported in the prior year that are not repeated in this report.

This report is intended for the information of the Governor and General Assembly, management, and the citizens of the Commonwealth of Virginia and is a public record.

AUDITOR OF PUBLIC ACCOUNTS



State Board of Elections  
Richmond, Virginia

Pina B. Swift  
Chairman

Michael Brown  
Vice Chairman

Cameron Quinn  
Secretary

