



U.S. ELECTION ASSISTANCE COMMISSION

INTERIM AGENCY FINANCIAL REPORT

December 16, 2013

ABOUT THIS REPORT

For FY 2013 reporting purposes, the U.S. Election Assistance Commission (EAC) has again elected to submit an Agency Financial Report, with an Annual Performance Report and Citizens' Report along with the Congressional Budget Justification. The reports are targeted to the Office of Management and Budget (OMB), the Public, and Congress, respectively. The AFR allows EAC to focus on and lay out its financial position at this time, while providing summary performance data. A Citizen's Report and a combined Annual Performance Report/Congressional Budget Justification will follow per guidance in OMB Circular A-136 *Financial Reporting Requirements*.

Information about EAC's programs is available at www.eac.gov.



December 16, 2013

MESSAGE FROM THE CHIEF OPERATING OFFICER AND ACTING EXECUTIVE DIRECTOR

Following is the U.S. Election Assistance Commission (EAC) FY 2013 Annual Financial Report. The report describes EAC's financial results over the past year as it pursued its mission to assist the effective administration of Federal elections. The report discusses efforts to strengthen internal controls and financial management activities. This is the sixth year EAC has undergone a financial statement audit per the Accountability of Tax Dollars Act of 2002, and the fifth year EAC is participating in the pilot performance reporting project as described in OMB Circular A-136 on Financial Reporting Requirements in place of the Performance and Accountability Report. EAC presents summarized performance data in this report, and will provide detailed data in conjunction with the FY 2015 Congressional Justification.

EAC has been without a quorum of commissioners since December 10, 2010 and has been without commissioners since December 2011. The agency has been able to function by following the order of succession in the Roles and Responsibilities document adopted by the Commission in September 2008, and the organization chart in the Strategic Plan 2009-2014 adopted in March of 2009. Under the present structure, if EAC is without an Executive Director or General Counsel, as is the case, the Chief Operating Officer assumes the responsibilities of the Executive Director in an acting capacity. Agency staff is authorized by the Roles and Responsibilities document to perform activities such as managing the voting systems certification/decertification process, and disbursing Help America Vote Act of 2002 (HAVA) Requirements Payment grant funds. The agency cannot process appeals, issue advisory opinions to States on use of HAVA funds or a new grant Notice of Funds Availability, adopt policy, or hire an Executive Director and General Counsel.

Regarding open operational audit recommendations, in FY 2013, EAC finalized its records management standard operating procedures in March 2013, and worked closely with the National Archives and Records Administration to schedule and store EAC documents. Once a quorum of the Commissioners is present, EAC will work to close the remaining two open recommendations by finalizing policies and procedures related to clearinghouse and communications, and addressing public comments regarding the National Mail Voter Registration Form.

During FY 2013, EAC accomplished the following towards achieving the program area goals described in its Strategic Plan, which is based on the mandates of HAVA and is reflected in the agency's organizational structure:

Communications & Clearinghouse

The Communications and Clearinghouse division began Fiscal Year 2013 focused on providing information and best practices to election officials and voters in the weeks prior to the 2012 November election. These educational materials, produced by EAC, save election officials time and money in preparation for Federal elections.

Through its website, EAC.gov, EAC provides:

- The Election Official Exchange: an online resource built by EAC to help local election officials connect and leverage their collective knowledge by sharing best practices and information. U.S. election officials can ask colleagues for advice about the myriad tasks they face, from testing voting equipment and training poll workers to creating an audit trail and conducting a vote recount.
- Webcasts: public events are offered live. On demand webcasts are available on EAC.gov within 24 hours. The meeting agenda accompanies the webcast so the viewer can select topics of interest.
- Customized program activity updates: a listserv for EAC's newsletter and automatic program updates. Users are notified daily or weekly when new documents are posted based on their frequency of delivery and subject matter preferences.
- Information and updates for election officials and stakeholders about: (1) 2012 election survey data on the ability of military and overseas citizens to successfully cast their ballots; (2) the voting system certification program; and (3) remaining HAVA funds available to states.
- Links to state and local election social media sites as requests were received from election officials.

Using social media, EAC:

- Provided ongoing Blog posts on election updates and program activities on topics such as EAC resources; voting system testing updates; absentee and early voting; hurricane contingency plans; state elections; post-election information; EAC events; public comments on the voting system test laboratory program manual, and the 2014 Election Administration and Voting (EAVS)/Uniformed and Overseas Citizens Absentee Voting Act (UOCAVA) Survey; and critical or time-sensitive data; and
- Used @EACgov on Twitter to rapidly deliver information and updates to stakeholders and the public about the voting system certification program, EAC activities and election information, communicate with election officials, and build a community of expertise. The number of EAC Twitter followers grew from 970 to 1602 from October 2012 through September 2013. EAC also maintained hashtags #BReady2012 and #FOV13 around preparation for Federal elections.

EAC hosted a number of forums for stakeholders (the public, election officials and academics) to discuss current issues in elections:

- Two public roundtable discussions: *Informing Change: A Review of Events and Issues of the 2012 Elections Cycle*, and *Transforming Election Administration, Voting System Accessibility, and the Certification Process*:
 - The first roundtable, held on January 9, 2013, was a post-election assessment of the November 2012 election. Participants shared successes and challenges presented during the election cycle. EAC heard from state and local election officials, poll workers and end users, leading academics, researchers and observers of the election process. The roundtable resulted in ideas for new best practices and improved future elections.
 - The May 9 roundtable was held to discuss the results of voting system accessibility grant work, and how recent innovations may be applied in the future.

Both roundtables were webcast live and featured a live Twitterfall. Questions and comments were taken from the public through webcasts. Participants included election officials and subject matter experts who provided real-world solutions to the issues facing election officials and voters. EAC distributed press advisories to national media daybooks and contacts. This roundtable session was broadcast on CSPAN.

- Two joint EAC/National Institute of Standards and Testing (NIST) events: a workshop on accessible voting technology, and a symposium on the future of voting systems (see the Voting Systems Testing and Certification sections below for more information); and
- Nine webinars (see the Research, Policy and Programs section below).

Grants Management

In FY 2013, EAC:

- Disbursed requirements payment grants to States certifying compliance for the FY 2008 through FY 2011 awards (\$4,292,871 in 2010 payments to two states, and \$221,853 in 2011 payments to seven states);
- Provided technical assistance to grant recipients as they are responsible for establishing and maintaining internal controls that will reasonably ensure compliance with federal laws, regulations, and the provisions of the authorizing legislation and grant agreements for the applicable grant programs;
- Monitored and provided technical assistance for the Voting System Pre-Election Logic and Accuracy Testing & Post-Election Audit Initiative grants, and the Accessible Voting Technology Initiative grants. The projects focused on making pre-election information accessible to voters and using a specialized system in the field for elections;
- Continued to monitor and provide technical assistance to three-year award 2010 College Poll Worker and 2010 Mock Election Program grantees to help them carry out successful programs through May and June, and then started the closeout process; and

- Closed all open Office of the Inspector General audits of State use of HAVA funds.

Research, Policy and Programs (RPP)

Administers the biennial Election Administration and Voting Survey (EAVS);

Administers the National Mail Voter Registration Form as prescribed by the National Voter Registration Act of 1993 (NVRA), also known as “Motor Voter”;

Administers the Election Management Guidelines and Quick Start Guides Program to help election officials conduct efficient, effective, accurate and accessible elections by providing information on topics such as: ballot design; polling place management; accessible voting; contingency planning; voter registration; voter education and; poll worker recruitment, training and retention;

Manages the Language Accessibility Program to provide informational materials on the Federal election process including glossaries of election terms in English and five other languages, and translations of the National Mail Voter Registration form in English and ten other languages;

Provides educational materials to voters and election administration officials on the voting process, and;

Conducts research on election administration on topics as mandated by HAVA, by Congress and, at the discretion of the Commission.

Voting Systems Testing and Certification

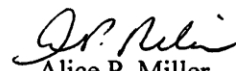
In FY 2013, EAC:

- Certified three voting systems;
- Conducted testing campaigns for seven systems (with four systems currently in active test campaigns);
- Held the *Future of Voting Systems Symposium* in conjunction with the National Institute of Standards and Technology (NIST) at the NIST facility on February 26-28, 2013. EAC and NIST hosted a symposium to explore emerging trends in voting system technology with the election community at large. Topics included: why some jurisdictions are exploring building their own voting systems; trends in voting system technology acquisition and deployment plans; how election officials, manufacturers, young voters, and academics view the future of voting system technologies; alternative standard development processes for voting systems; and alternative methods for voting system testing and certification at the Federal and State level;
- Co-hosted the *Accessible Voting Technology Research Workshop* April 1-2, 2013 with NIST to discuss current and future research in accessible voting technology, and the transition of this research to industry. Topics included: innovative assistive applications and techniques; new approaches to accessibility in voting;

- accessibility research benchmarks and results; transitioning research to industry; new and existing devices that provide accessible access to elements of the voting process; and challenges in accessible voting;
- Drafted and published six Requests for Interpretation (RFIs) to the Voluntary Voting System Guidelines (VVSG);
 - Received public comments on a second draft revision to version 1.1 of the VVSG 1.1, and worked with NIST staff to resolve those comments and prepare the VVSG1.1 revised draft document for final formatting in preparation for a forum of commissioners;
 - Developed and implemented major updates to the EAC's Virtual Review Tool (VRT) to track change orders for all EAC certified voting systems. This tool was also made available to State Certification Authorities to assist them in reviewing change orders that may be presented for certification in their individual States; and
 - Performed one laboratory re-accreditation audit in Denver, Colorado.

The financial and performance data in this report is reliable and complete with the exception of issues described in the auditor's report related to reported weaknesses in control over financial reporting. The Commission provides a qualified statement of assurance that the internal control and financial management systems meet the objectives of the Federal Managers' Financial Integrity Act. EAC will work in FY 2014 to remediate the issues.

We look forward to continuing to provide materials and information to election officials to assist with the administration of Federal elections, and technical assistance to recipients of Help America Vote Act funds.



Alice P. Miller
Chief Operating Officer and Acting
Executive Director

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SECTION I

Management Discussion and Analysis

Management Discussion and Analysis (MD&A) is presented in accordance with Statement of Federal Financial Accounting Standards (SFFAS) 15. The MD&A is intended to provide a clear and concise description of the agency's mission and organizational structure; high-level discussion of key performance goals, results and measures; analysis of financial statements; systems, controls, and legal compliance (i.e., Management Assurance signed by the Agency Head); compliance with laws and regulations; and actions taken or planned to address problems. It provides a balanced analytical assessment, with both positive and negative information, of key program and financial performance. The MD&A is a vehicle for communicating insights about the agency, its operations, programs, successes, challenges and future outlook. Contents of this report and the MD&A are in conformance with Office of Management and Budget (OMB) Circular A-136 *Financial Reporting Requirements*.

I.A. BACKGROUND, VISION, MISSION AND ORGANIZATIONAL STRUCTURE

In October 2002, Congress passed the Help America Vote Act (HAVA) of 2002. The law recognized the need for States to invest in their election infrastructure and set out comprehensive programs of funding, voluntary guidance, and research. To foster those programs and to promote and enhance voting for United States citizens, HAVA established the Election Assistance Commission (EAC). The vision for EAC, according to the Strategic Plan 2009-2014, adopted March 2009, is to lead election reform that reaffirms the right to vote and to have all eligible votes counted accurately.

EAC is an independent, bipartisan agency. Four full-time Commissioners, appointed by the President and confirmed by the U.S. Senate, and three Federal advisory committees, the Standards Board, Board of Advisors, and Technical Guidelines Development Committee, guide the EAC. Its mission is to provide assistance to State and local election officials in the effective administration of Federal elections. EAC is statutorily required to:

- Create a clearinghouse of information for election officials and the public;
- Distribute and monitor HAVA funds to States for election administration improvements;
- Issue, periodically review and modify, as necessary, Voluntary Voting System Guidelines (VVSG);
- Accredite voting system test laboratories and certify voting equipment;
- Conduct periodic studies of election administration issues as determined by the Commission;
- Establish best practices and guidelines on election administration for State and local election officials;
- Maintain the national voter registration form developed in accordance with the National Voter Registration Act (NVRA) of 1993;
- Provide Congress with a bi-annual report to assess the impact of the NVRA.

The Standards Board and the Board of Advisors provide advice and guidance to EAC on Voluntary Voting System Guidelines (VVSG) and other election administration issues. In addition, the Technical Guidelines Development Committee (TGDC) assists EAC in the preparation of the VVSG. The VVSG sets the standards against which voting systems are tested. The Director of the National Institute of Standards and Technology (NIST) of the U.S. Department of Commerce serve as the Chair of the TGDC and provide technical support to the Committee. Additionally, HAVA specifies that NIST provide recommendations to EAC regarding voting system test laboratories. Since Fiscal Year 2004, EAC's annual appropriations have included funds for NIST support.

In Fiscal Years 2003 and 2004, Congress appropriated nearly \$3 billion in Federal financial assistance for payments to States under Titles I and II of HAVA. States received the funds to upgrade their voting systems, establish a statewide voter registration database, train election officials, and educate voters. In Fiscal Year 2003, General Services Administration (GSA) distributed \$649,500,000 in HAVA funds to the fifty States, Guam, Puerto Rico, the U.S. Virgin Islands, American Samoa and the District of Columbia on EAC's behalf. The funds were distributed for activities to improve the administration of elections (Section 101) and to replace punch card and lever voting machines (Section 102).

The Senate confirmed four Commissioners in December 2003 and EAC began operations in January 2004, within ten months of the date mandated by HAVA. The Agency's Fiscal Year 2004 operating budget was \$1.7 million. At the close of the fiscal year, EAC had a staff of 18. EAC's focus in 2004 was to assemble staff, obtain office space, arrange for administrative support from the GSA, establish a website, start election administration clearinghouse operations, and distribute Federal financial assistance to the States. In FY 2004, EAC also appointed a statutorily-required General Counsel.

During Fiscal Year 2005, EAC appointed its other statutorily-required position, the Executive Director, and an interim Inspector General. EAC's focus in subsequent years was on upgrading the VVSG, completing required research to promote effective Federal elections and present key data on election practices and voting, instituting a voting system testing and certification program, auditing State use of HAVA funds, and providing information on improving elections to its stakeholders.

In FY 2007, Congress recognized the expanding Agency responsibilities and lifted the full-time equivalent staffing ceiling of 24. As of the end of FY 2013, EAC had a full-time staff of 23 employees. Since its inception, EAC has received \$2,606,150,000 in requirements payments, \$24,350,000 in discretionary grant funds for Poll Workers, Mock Elections, Election Data Collection, Voting Technology Improvement Research and Equipment and Pre-Election Logic and Accuracy Testing and Post-Election Verification and transferred \$29,987,500 to NIST. EAC also tracks and provides technical assistance on the Section 101 funds. The time period for using the Section 102 funds has expired, and EAC has collected remaining unused funds.

Organization by Program

EAC has organized its offices around the goals in the Strategic Plan. Below are brief descriptions of the four offices responsible for implementing the Strategic Plan programmatic goals. Following the descriptions is EAC's organization chart.

Communications and Clearinghouse

The Communications and Clearinghouse Division is responsible for external communications and the tools and platforms used to provide information to election officials and the general public. Areas of responsibility include:

- EAC Website and Clearinghouse
- Social media
- Media inquires
- External communications
- Congressional relations
- The Freedom of Information Act
- National Archives and Records Act
- Editorial support: press releases, speeches, and Congressional testimony

The agency's website, www.eac.gov, is the primary communications tool. EAC.gov contains thousands of documents and information about voting systems, press releases, informational videos, research, data and program-related information. It also features on-demand webcasts and related information from public meetings, hearings and roundtables.

EAC's award-winning website features a user-driven notification system, allowing visitors to customize how they receive information. Users can customize their online experience by signing up for automatic e-mail alerts on a variety of election topics and events, including public meetings, advisory board meetings, reports, policies and agency news. These alerts can be received in real time on a daily or weekly basis.

Grants Management

The Grants Management Division:

- Provides technical assistance to the States on administering Federal funds;
- Awards and monitors discretionary grant programs including: Help America Vote College Program, Help America Vote Mock Election Program, Military Heroes Initiative, Voting System Pre-Election Logic and Accuracy Testing and Post-Election Audit Initiative and Accessible Voting Technology Initiative;
- Processes and disburses payments to States and discretionary grant recipients;
- Tracks the submission of and reviews the content of financial and performance reports submitted by States and discretionary grant recipients;
- Reviews audit reports and works with fund recipients on recommendations to resolve audit findings applicable to EAC programs;

- Reviews amended State Plan submissions; and
- Drafts advisory opinions for Commission approval and issuance.

Research, Policy and Programs

The Research, Policy and Programs Division:

- Conducts research on election administration topics as mandated by Congress and at the discretion of the Commission;
- Administers the biennial Election Administration and Voting Survey;
- Administers the National Mail Voter Registration Form as prescribed by the National Voter Registration Act of 1993 (NVRA), also known as “Motor Voter;”
- Administers the Election Management Guidelines and Quick Start Guides Program to help election officials promote secure, efficient, accurate, and accessible elections by providing information on topics such as Ballot Design, Polling Place Management, Voting Accessibility, Communicating with the Public, Contingency Planning, Managing Change in an Election Office, Media and Public Relations, and Developing an Audit Trail for the verification of votes;
- Manages the Language Accessibility Program to provide informational materials on the Federal election process and glossaries of election terminology in languages English and six other languages, translates the National Mail Voter Registration Form into ten languages other than English; and
- Provides materials to voters and election administration officials to facilitate their successful participation in Federal elections such as registering to vote.

Research and reporting is mandated by HAVA on topics such as the impact of the National Voter Registration Act of 1993 and on UOCAVA for military and overseas voters’ participation in federal elections; the feasibility and advisability of establishing free absentee ballot return postage; recounts and contests; the feasibility of alternative voting methods such as electronic voting; the voting experiences of first-time voters who register to vote by mail; administering elections in urban and rural areas; and the feasibility and advisability of identifying voters by Social Security Number.

Voting System Testing and Certification

Under the Help America Vote Act, EAC accredits voting system test laboratories and certifies voting equipment, marking the first time the Federal government has offered these services to the States. Participation by States in the program is voluntary. Staff works with NIST to evaluate and accredit voting system test laboratories and the management of the voting system certification process.

The Testing and Certification (T&C) Division:

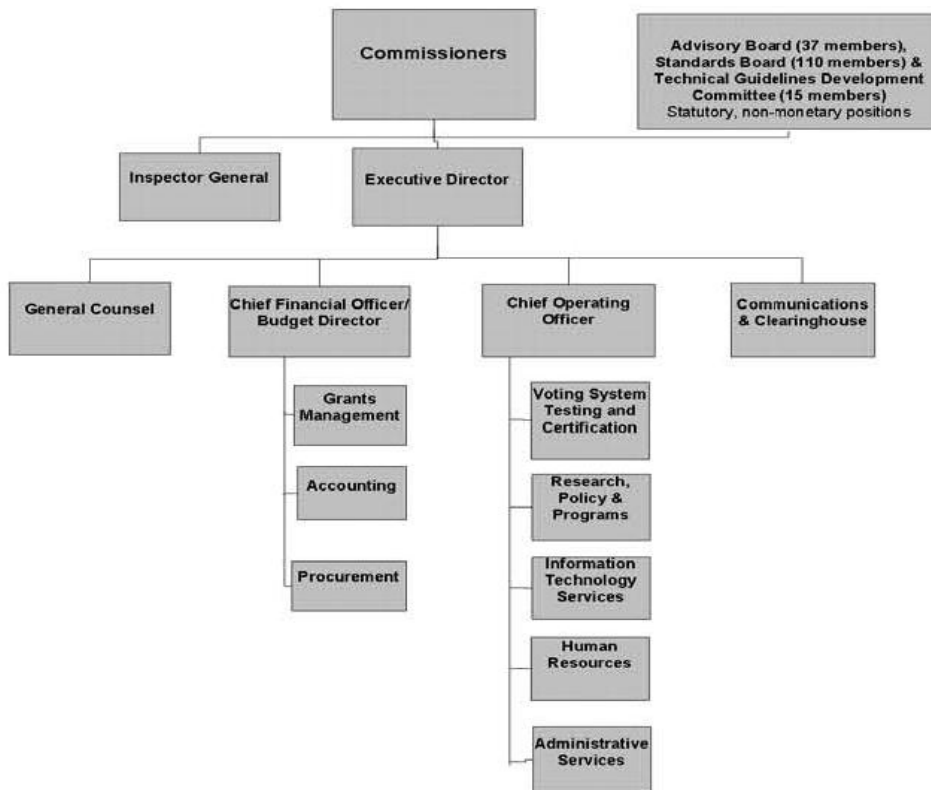
- Assists States with voluntary certification of their systems;
- Supports local elections officials in the areas of acceptance testing and pre-election system verification;

- Promotes quality control in voting system manufacturing through the EAC quality monitoring program;
- Provides procedures to the voting system manufacturers for the testing and certification of voting systems to specified Federal standards consistent with the requirements of HAVA Section 231.

EAC’s voting system certification program establishes accountability through its Quality Monitoring Program which ensures, through various check points, that the voting systems used in the field are the same systems EAC has certified. For instance, under the program, EAC has the ability to conduct site visits to production facilities to determine whether systems produced are consistent with those that have received EAC certification. In addition, EAC collects reports from election officials regarding voting system anomalies. After reviewing the reports, EAC disseminates the information to election officials. Furthermore, upon invitation or with permission from election officials, the EAC conducts reviews of systems that are in use in the field.

More information about EAC’s Voting System Certification and Testing Program is available in EAC’s Frequently Asked Questions on eac.gov.

**ELECTION ASSISTANCE COMMISSION
ORGANIZATION CHART**



I.B. PERFORMANCE GOALS, OBJECTIVES AND RESULTS

EAC formalized its planning, reporting and execution activities with its first five year Strategic Plan 2009-2014. The plan was reviewed by the Office of Management and Budget, and presented to EAC's Board of Advisors and Standards Board for comment, as required by HAVA. EAC adopted the Plan in March 2009.

How EAC Assesses Performance

EAC has five strategic goals:

1. Communicate timely and accurate information on the effective administration of elections for Federal office and on the operations and services offered by EAC.
2. Deliver and manage Federal funds effectively.
3. Identify and develop information on areas of pressing concern regarding the administration of elections for Federal office, issue recommended improvements, guidance, translations, and best practices as required by HAVA, and carry out responsibilities under the National Voter Registration Act.
4. Build public confidence in elections by testing and certifying voting systems to improve system security, operation, and accessibility.
5. Achieve organizational and management excellence.

The EAC Strategic Plan objectives listed below describe in general terms the results needed to accomplish its Strategic Goals. Outcomes measure the effect program outputs have on their stakeholders. Outputs are quantifiable targets that directly measure the results of a program. A program may have multiple outputs but each output is associated with one program. Performance measures are quantifiable, documentable, representations of a capacity, process or outcome that is relevant to the assessment of performance.

Strategic Plan Goal 1: Communicate timely and accurate information on the effective administration of elections for Federal office and on the operations and services offered by EAC.

Outcome: The Congress, Federal agencies, State and local election officials and the public receive reliable, accurate, and non-partisan information about administering, conducting and participating in Federal elections and how, where, and when Americans vote.

Goal 1's aim of communication of timely and accurate information is the responsibility of the Communications and Clearinghouse Division.

Goal 1 FY 2013 Accomplishments

The Communications and Clearinghouse Division began Fiscal Year 2013 with a focused effort on providing information and best practices to election officials and voters in the remaining weeks prior to the 2012 November election. EAC maintained the goal of

building a community of knowledge and expertise that could save election officials time and money in preparation for the 2014 federal election cycle.

EAC.gov Resources

- The Election Official Exchange: an online resource built by EAC to help local election officials connect and leverage their collective knowledge by sharing best practices and knowledge. By participating in the Exchange, any U.S. election official can call on a colleague for advice about virtually any administrative task they face, from testing voting equipment and training poll workers to creating an audit trail and conducting a recount.
- Events finder: a comprehensive presentation of all EAC public events, including meetings, hearings and roundtable discussions.
- Webcasts: public events are offered live. On demand webcasts are available within 24 hours. The meeting agenda accompanies the webcast, and the viewer can select topics of interest. All meeting materials are also available to the public.
- Customized program updates: a listserv for EAC's newsletter and automatic program updates. Users are notified daily or weekly when new documents are posted based on their delivery preferences.

Social Media and Stakeholder Updates

- Blog posts provided periodic election updates and highlight program activities including: EAC resources; election updates; voting system testing updates to track progress made on EAC voting system certification; information on absentee and early voting; hurricane contingency plans; state election info; post election info; roundtables, workshop and symposium; public comments on test lab program manual and 2014 EAVS / UOCAVA Survey; and Engineering Change Order (ECO) database for State users to better handle our test matrix of VVSG requirements; and ongoing blog posts covering election related topics to answer frequently asked questions and provide critical or time sensitive information to stakeholders and the media;
- Used @EACgov on Twitter to rapidly deliver information and updates to stakeholders and the public about the voting system certification program, EAC activities and election information, communicate with election officials, and build a community of expertise;
- Maintained #BReady2012 and #FOV13, the Twitter hashtags where election officials and the public can gather and discuss preparation for Federal elections. The number of EAC Twitter followers grew from 970 to 1602 from October 2012 through September 2013;
- Hosted online The Election Official Exchange, a platform to help local election officials connect and leverage their collective knowledge by sharing and exchanging best practices and information expertise; and
- Provided program activity updates where the public can customize the kind of information and the frequency that it is delivered via EAC's newsletter and automatic program updates.

- EAC delivered information and updates to election officials and stakeholders about: (1) 2012 survey report data on the ability of civilian, military and overseas citizens to successfully cast a ballot; (2) voting system certification program; and (3) remaining HAVA funds available to states.
- As requests were received from election officials, EAC continued to add more links to state & local election social media sites.

Post 2012 Election: The Roundtable Series of Public Discussions

In Fiscal Year 2013, EAC hosted two public roundtable discussions which followed the series of prior EAC roundtables about topics and initiatives in preparation for 2012 federal election cycle. In January, EAC hosted a post election roundtable to assess the 2012 election and review shared best practices for addressing some of the challenges presented during the election cycle. A second roundtable was held in May to discuss the results of grant funded work and how recent innovations in accessibility research may be applied to the future of election administration and voting systems. Both roundtables were webcast live and featured a live Twitterfall. Questions and comments were taken from the public through the webcasts. Participants included election officials and subject experts who provided real world solutions to the issues facing election officials and voters as we prepare for the 2012 elections. EAC distributed press advisories to national media daybooks and contacts, and to the home state/local media outlets representing roundtable participants. EAC also publicized and promoted participation in two EAC / NIST events: a workshop on accessible voting technology; and a symposium on the future of voting systems.

- **Informing Change: A Review of Events and Issues of the 2012 Elections Cycle** (Jan 9, 2013). Reviewed shared best practices for addressing some of the challenges presented during the 2012 election cycle. EAC heard from state and local election officials, poll workers and end users, advocates, leading academics, researchers and observers of the election process. Participants shared ideas and strategies for improving the administration of elections in the U.S. Objective: to identify which aspects of the process may be improved in order to begin developing best practices that can be used in the next election. CSPAN covered via webcast. On demand webcasts are available of EAC's yearlong series of discussions on major topics to prepare for the Presidential Election.
- **Transforming Election Administration, Voting System Accessibility, and the Certification Process** (May 9, 2013). Discussed the results of grant funded work and how recent innovations in accessibility research may be applied to the future of election administration and voting systems. The May 9 roundtable continued discussions from the Future of Voting Systems Symposium and the Accessible Voting Technology workshop.
- **EAC / NIST Accessible Voting Technology Research Workshop** (April 1-2, 2013). EAC and NIST hosted a workshop to discuss current and future research in accessible voting technology, and the transition of this research to industry. Topics included: Innovative assistive applications and techniques; New approaches to accessibility in voting; Accessibility research benchmarks and results; Transitioning research to industry; New and existing devices that provide accessible access to elements of the voting process; and Challenges in accessible voting

- EAC / NIST Future of Voting Systems Symposium (Feb 26-28, 2013). EAC and NIST hosted a symposium to explore emerging trends in voting system technology with the election community at large. Topics included: Why some jurisdictions are exploring building their own voting systems; Trends in voting system technology acquisition and deployment plans; How election officials, manufactures, young voters, and academics view the future of voting system technologies; Alternative standard development processes for voting systems; and Alternative methods for voting system testing and certification at the Federal and State level.

Strategic Plan Goal 2: Deliver and manage Federal funds effectively.

Outcome: States and other recipients promptly and accurately receive Federal funds administered by EAC and use the funds appropriately to improve the administration of elections for Federal office.

Goal 2 is administered by the Grants Management division and the Office of the Inspector General.

Goal 2 FY 2013 Accomplishments

- Disbursed requirements payment grants to States certifying compliance from the FY 2008 through FY 2011 awards;
- Closed the 9 College Poll Worker and the 4 Mock Election grants awarded in FY 2010;
- Continued to monitor and provide technical assistance to three-year award 2010 College Poll Worker grantees to help them carry out successful programs;
- Continued to monitor and work with the three-year award 2010 Mock Election Program grantees;
- Monitored and provided technical assistance for the Voting System Pre-Election Logic and Accuracy Testing & Post-Election Audit Initiative grants, and the Accessible Voting Technology Initiative grants. In FY 2012, the latter projects focused on making pre-election information accessible to voters and using a specialized system in the field for elections;
- Closed all open OIG audits of state HAVA funds; and
- Provided technical assistance to grant recipients as they are responsible for establishing and maintain internal controls that will reasonably ensure compliance with federal laws, regulations, and the provisions of the authorizing legislations and grant agreements for the applicable grant programs.

Strategic Plan Goal 3: Identify and develop information on areas of pressing concern regarding the administration of elections for Federal office and issue recommended improvements, guidance, translations, and best practices as required by HAVA, and carry out responsibilities under the National Voter Registration Act.

Outcome: As a result of this goal: 1) the election community and other key stakeholders improve the administration of elections for Federal office on the bases of pertinent, impartial, timely, and high-quality information,

recommendations, guides and other tools on election and voting issues and 2) eligible citizens use the mail voter registration application to register to vote, register with a political party, or report a change of name, address, or other information.

Goal 3 is administered by the Research, Policy and Programs division.

Goal 3 FY 2013 Accomplishments

Research:

- Published, delivered to Congress and posted to EAC's website, all reports and data related to the 2012 EAVS including: the Statutory Overview; the NVRA report; the Uniformed and Overseas Citizens Absentee Voting Act (UOCAVA) report and; the general EAVS report.
- Successfully administered and completed a national survey and final draft report on findings from a HAVA-mandated (241b15) study on voting and administering elections in urban and rural areas.
- Successfully completed an agreement between EAC and the Federal Voting Assistance Program (FVAP) for creating a combined 2014 EAVS.
- Completed the first of two Federal Register public comment periods on the 2014 EAVS that will include 12 additional FVAP questions.

Policy:

- Responded to and processed requests from Arizona, Georgia, Washington State, Kansas, Wisconsin and Florida to modify their state-specific instructions on the national mail voter registration application form (Federal form).
- Updates to these states' instructions were posted in English and other required languages on the EAC website.

Programs:

- To prepare for the 2012 Federal election the division created and widely distributed--to the general public and to each of the 55 states and territories--Voter Tips cards and Voter's Guides to Elections;
- Hosted several briefings for foreign delegations regarding the EAC, the U.S. Election system and voting process;
- Conducted nine webinars for election officials on Best Practices in Election Management. Topics included polling place and election-day management, contingency planning, voter registration and education and, poll worker recruitment training and retention. Each session--moderated by an election official-- featured two local election officials as speakers. Each session involved between 45-50 election officials representing states throughout the US and American Samoa.
- Developed a work plan for updating 4-5 EAC Quick Start Guides, concise tips on a wide range of election topics, in 2014.

Throughout the year RPP staff has also on a continuing basis:

- Clarified various data reported in the 2012 EAC Election Administration and Voting Survey along with other previous EAVS reports;
- Provided assistance (including assistance in Spanish) regarding the completion of the Federal NVRA form;
- Responded to requests to clarify certain technical aspects of election procedures and processes.

Strategic Plan Goal 4: Build public confidence in elections by testing and certifying voting systems to improve system security, operation and accessibility.

Outcome: Voting equipment operates more reliably and securely and is more accessible to the disabled. States use the EAC testing and certification program to ensure voting systems meet standards.

Goal 4 is administered by the Voting System Testing and Certification (T&C) division.

Goal 4 FY 2013 Accomplishments

In FY 2013 in the area of voting system certification, EAC:

- Certified three voting systems;
- Drafted and published six Requests for Interpretation (RFIs) to VVSG;
- Developed and implemented major updates to the EAC's Virtual Review Tool (VRT). EAC rolled out the addition of the ECO (Engineering Change Order) Database to the VRT tool to track change orders for all EAC certified voting systems. This tool was also made available to State Certification Authorities to assist them in reviewing change orders that may be presented for certification in their individual States.

There are currently four voting systems in active test campaigns.

In the area of Voluntary Voting System Guidelines (VVSG) and Test Suites, in FY 2013, EAC posted the second draft version of VVSG 1.1 on www.eac.gov for a 90 day Public Comment period. Subsequent comments regarding the comment period coinciding with the General election persuaded EAC to revise the Public Comment period to 130 days. Following the close of the comment period, EAC staff worked with NIST staff to address the comments and prepare the VVSG1.1 revised draft document for final formatting so it can await EAC Commission vote and approval once a quorum is reestablished.

Regarding laboratory accreditation in FY 2013, EAC performed one laboratory re-accreditation audit in Denver, Colorado;

Further, in FY 2013, Certification division staff, in conjunction with NIST, held the “Future of Voting Systems” Symposium at the NIST facility February 26-28, 2013. Attended meetings with NASED; Election Center; EVN, EAC technical reviewers; voting system manufacturers; the Presidential Commission on Election Administration; a voting system manufacturer for the kick-off overview meeting on a new system in Austin, TX; with State Certification officials in Harrisburg, Pennsylvania; USENIX - EVTWOTE on voting technology; and observed elections in Phoenix, AZ and Arlington County, VA.

Strategic Plan Goal 5 is to implement a high performance organization. The anticipated outcome of the goal is that EAC proficiently carries out EAC’s strategic objectives.

The three strategic objectives of Goal 5 are to improve performance, strengthen internal controls; and maximize efficiencies.

Key Performance Measures
<ul style="list-style-type: none">○ Implement 90 percent of the OIG audit recommendations within agreed upon timeframes.○ Meet annual performance measures.

The performance measure on implementing audit recommendations is tracked by EAC. To date, only two of the recommendations remain open pending a quorum of the Commission for final resolution.

On the metric regarding meeting annual performance measures, management is working to foster a culture of accountability among staff. The agency seeks to improve staff satisfaction ratings and achieve management excellence through continuous improvement of internal controls. Agency directors responsible for implementation of the EAC Strategic Plan goals report on their division metrics in the Agency Financial Report, the Annual Performance Report along with the Congressional Budget Justification, and on planned metrics in the OMB Budget Justification each September.

Staff completes assessable unit risk assessment questionnaires and individual letters of assurance, which are reviewed and rolled into the agency’s Annual Statement of Assurance.

EAC will continue to focus on resolution of issues identified in audits, setting up sound systems and policies and procedures, working with managers on the relationship between budget and performance, maximizing use of staff and financial resources, and training EAC staff on financial management processes and their responsibilities.

During FY 2013, to maximize efficiencies, EAC prepared for a paperless work environment with inexpensive storage at the National Archives and Records Administration Federal Records Center and an October 2, 2013 move to new office space, saving close to 75 percent on rent; continued its commitment in October 2010 to reduce staff; has reassigned functions internally and uses the services of other agencies to obtain efficiencies of scale; and utilizes four automated systems via interagency agreement.

Program Performance Indicators

The following table presents key EAC FY 2013 program performance data. As much detailed performance information as possible will be presented, and variances discussed, in the FY 2013 Annual Performance Report. The report will accompany the FY 2015 Congressional Justification.

EAC FY 2013 Performance Summary

Program	Performance Indicator	Type of Indicator	Planned	Actual
Strategic Goal 1: Communicate				
	Issue Clearinghouse policy	Output	Final	In Final Draft (quorum required for final approval)
	Issue Policies/Procedures to process requests from outside EAC	Output	Final	In Final Draft
Strategic Goal 2: Fund and Oversee				
	Award grants within established timeframes	Output	100%	L&A round two pending quorum (to approve new Notice of Funds Availability)
	Resolve 100 percent of audit findings within established time frames.	Output	100%	100%
	Negotiate indirect cost rates within 30 days of receipt of acceptable indirect cost proposals	Output	100%	Submit requests for negotiation to HHS upon receipt (proposals are forwarded by EAC electronically to HHS for negotiation)
Strategic Goal 3: Study, Guide, Assist				
	Issue reports to Congress by statutory deadlines	Output	3	3
	Disseminate all completed research project reports to stakeholders	Output	100%	100%
Strategic Goal 4: Test and Certify				
	Produce updates to the VVSG in Fiscal years 2010 and 2013	Output		VVSG Version 1.1 revised and updated
	Conduct at least one review of a manufacturing facility of a registered manufacturer at least once every 4 years.	Output	1	0 (Funding limitations. Will reschedule for FY 2014)
	Plan to conduct field reviews for at least 50 percent of jurisdictions that volunteer for reviews	Output	50%	N/A (No requests made in FY 2013)

Portfolio Analysis

Since 2004, EAC has received funds in three appropriations: Salaries and Expenses, Election Reform Programs, and for FY 2008 only, Election Data Collection Grants. The

purpose of the Data Collection grants of \$2.0 million each to five States was to measure the costs of improving the collection of election data at the precinct level during the 2008 Federal election. In FY 2013, the Salaries and Expenses appropriation of \$11.5 million funded a \$2.7 million transfer to NIST, staff salaries and benefits, travel, rent and telecommunications, printing, contracts, supplies and equipment.

I.C. FINANCIAL RESULTS

This analysis is intended to help readers understand EAC's financial results, position and condition as portrayed in the financial statements and notes to the statements. It explains changes in assets, liabilities, costs, revenues, obligations, and outlays; includes comparisons of FY 2013 to FY 2012; and discusses the relevance of balances and amounts in the financial statements and notes. The changes are discussed in the context of whether the year's activities improved or deteriorated the agency's financial position.

Budgetary Resources

Budgetary resources (Obligations Incurred, apportioned unobligated balances, and unobligated balances not available) are the amounts available to enter into new obligations and to liquidate them. The majority of EAC's available budgetary resources are for Requirements Payments in the Election Reform Program appropriation. Budgetary resources include new Budget Authority from appropriations and unobligated balances of Budget Authority provided in previous years in the no year Election Reform Program account.

For FY 2013, the available budgetary resources were \$19.9 million, down from \$21.4 million in FY 2012. In FY 2013, EAC's appropriations totaled \$11.5 million, for salaries and expenses.

The remaining unspent HAVA Section 102 payments made to the States in FY 2003 and FY 2004 for replacement of punch card or lever voting machines were returned to EAC in FY 2013. These funds will be disbursed as HAVA Section 251 requirements payments to the States.

Obligations Incurred decreased from \$9.5 million in FY 2012 to \$8.1 million in FY 2013 primarily as a result of the disbursement of FYs 2008 through 2011 Requirements Payments and the reduction in the annual appropriation. Unobligated Balance – Apportioned increased from \$3.2 million in FY 2012 to \$3.3 million in FY 2013.

Financial Position

Assets

EAC had \$32.5 million in total assets (Fund Balance with Treasury, Advances and Prepayments, and Other Assets) as of September 30, 2013, down from \$40.1 million in FY 2012. This decrease is largely the result of disbursements of Requirements Payments from FYs 2008-2011.

Liabilities

EAC had total liabilities (accounts payables, accrued payroll and benefits, and unfunded leave) of \$1.7 million as of September 30, 2012 and \$8.7 million September 30, 2013.

Net Position

Net position (Unexpended Appropriations and Cumulative Results of Operations) decreased in FY 2013 to \$23.8 million from \$38.4 million in FY 2012. Unexpended Appropriations decreased primarily due to expenditure of Requirements Payments.

Results of Operations

EAC, as presented in its Statement of Net Costs, reports its results of operations within four programs: Communications and Clearinghouse, Fund and Oversee, Research, Policy and Programs, and Testing and Certification. Costs specifically identified with each of these programs such as assigned personnel costs and specific program contract costs are allocated to the program directly. The Fund and Oversee program reports the expenditures for the Requirements Payments and the other EAC grants. In years in which EAC receives significant appropriation for these HAVA funds, this program, Fund and Oversee, typically exceeds the other programs in overall costs. Other general agency overhead costs such as rent, human resource costs and financial management costs are allocated on a per employee basis. This methodology is outlined in EAC's Cost Allocation Model and is reviewed by the financial statement auditors each year to ensure the accurate allocation of expenses to each program.

Total Net Cost of Operations (expenses in the salaries and expenses, and grant appropriations) for the EAC was \$21.6 million for Fiscal Year 2013, up from \$13.6 million in FY 2012.

Limitations of the Financial Statements

The principal financial statements have been prepared to report the financial position and results of operations of the entity, pursuant to the requirements of 31 U.S.C. 3515(b). While the statements have been prepared from the books and records of the entity in accordance with Generally Accepted Accounting Principles (GAAP) for Federal entities and the formats prescribed by the Office of Management and Budget, the statements are in addition to the financial reports that are used to monitor and control budgetary resources, which are prepared from the same books and records.

The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity.

I.D. ANALYSIS OF CONTROLS, MANAGEMENT SYSTEMS, AND LEGAL COMPLIANCE

Internal Control Environment

EAC is subject to numerous legislative and regulatory requirements that promote and support effective internal controls. EAC believes that maintaining integrity and accountability in its programs and operations is critical for good government, demonstrates responsible stewardship over assets and resources, helps ensure high-quality and responsible leadership, allows for effective delivery of services to customers, and maximizes desired program outcomes.

EAC has developed and implemented management, administrative and financial system controls that with the aim of ensuring: 1) programs and operations achieve intended results efficiently and effectively; 2) resources are used in accordance with the mission of the agency; 3) programs and resources are protected from waste, fraud and abuse; 4) program and operations activities are in compliance with laws and regulations; and 5) reliable, complete and timely data are maintained and used for decision-making.

The agency can provide qualified assurance that internal control over financial reporting to ensure that transactions are: executed in accordance with budgetary and financial laws and other requirements, consistent with the purposes authorized, and recorded in accordance with Federal accounting standards. EAC ensures that assets are properly acquired and used, safeguarded to deter theft, accidental loss or unauthorized disposition, and fraud.

Laws that help EAC improve the management of its financial operations and programs are as follows:

Federal Manager's Financial Integrity Act

The Federal Manager's Financial Integrity Act (FMFIA) of 1982 requires Executive Branch agencies to establish, maintain, and assess internal controls to ensure that agency program and financial operations are performed effectively and efficiently. To help ensure that controls have been identified and implemented, the heads of agencies must annually evaluate and report on the effectiveness of the internal control (FMFIA Section 2) and financial management systems (FMFIA Section 4) that protect the integrity of Federal programs.

Since FY 2009, EAC has incorporated the results of self-assessments of financial management internal controls to further demonstrate evaluation of internal controls.

A material weakness was identified by management beginning in FY 2008 concerning EAC's lack of effective written policies and procedures. EAC finalized records management procedures in FY 2013. EAC plans on adopting Communications and Clearinghouse Policy and National Voter Registration Act revised rules once a quorum is in place.

EAC is working with the new financial services provider to ensure internal controls over financial reporting are strong.

Entity-Wide Security Program

EAC recognizes that effective security management is critical to EAC's mission. The ability to ensure confidentiality, integrity, and availability of its information assets is essential to minimizing risks of inadvertent or deliberate misuse, fraud or destruction.

During FY 2013, EAC continued work on an information technology (IT) modernization project that was in progress during the FY 2012. To continue the enhancement of the agency's network infrastructure in its new physical location during FY 2013, the OCIO planned, designed and implemented a secured network infrastructure that meets the new work office setup and accommodates teleworking option for the staff. As part of the agency's effort to improve IT services, EAC replaced aging laptop workstations with high-performance desktop and laptop workstations. EAC's OCIO provided necessary accessories as well as a secured connection to staff for teleworking.

The agency email messaging system Microsoft Exchange server 2010 has been enhanced to enable users to access their email thru secured online connection and allow them manage their emails. During FY 2013, EAC upgraded Servers to Windows 2008, and Windows XP workstations to Windows 7.

EAC implemented a self-contained system recovery backup solution at the main office as well as at the Continuity of Operations (COOP) site to protect mission-critical data against system down-time and for disaster recovery. To ensure internal security, EAC applied additional access controls including an intrusion detection appliance as well continuous monitoring.

Further, EAC finished work to upgrade of the telephone system to a menu-driven interactive voice response (IVR) system. The main switch number uses a telephone menu to direct callers to offices and provides voter contact information for State voter information lines during elections. To improve internal and external communication, EAC completed work on unified messaging with a Voice Over IP (VOIP) phone system that allows users to access voicemail via email, a custom auto-attendant, call forwarding and audio conferencing at any time from any location.

The FY 2013 Federal Information Security Management Act (FISMA) evaluation report found that EAC was in substantial compliance with FISMA requirements. Specifically, it was noted that EAC had established sufficient policies and procedures relating to its IT security program to address identified risks; implemented actions to address prior concerns relating to meeting Privacy Act requirements; established a continuous monitoring program that substantially addressed all NIST requirements (using Asset management and IT service desk utilities); provided annual security awareness training and specialized training to its IT specialists; developed and tested a contingency plan; and had established required access controls sufficient to meet identified risks.

The summary in EAC's 2013 FISMA audit shows that EAC was in substantial compliance with FISMA requirements, OMB policy and guidelines, and applicable NIST standards and guidelines for the security control areas evaluated. EAC had developed an agency-wide IT security program based upon assessed risk. The FISMA audit concluded that the security program in place provided reasonable assurance that the agency's information and information systems are appropriately protected.

Audit Follow-Up

EAC's Office of Inspector General (OIG) conducts audits and reviews of the agency's operations. The Office of the Chief Financial Officer (OCFO) works closely with EAC management and the OIG to complete actions necessary to respond to audit findings. OCFO tracks the completion of the audit recommendations in a Quarterly Audit Recommendation Tracking Report. The report is carefully reviewed by EAC and is submitted each month to Congressional Oversight staff. As of September 30, 2013, EAC has two open findings to resolve. EAC made improvements in all Agency management challenges. EAC also considers and responds to recommendations from audits and reviews conducted by the Government Accountability Office.

Federal Financial Management Improvement Act

Per OMB Bulletin No. 07-04 "Audit Requirements for Federal Financial Statements," EAC as an Accountability of Tax Dollars Act of 2002-covered agency, is not subject to the requirements of the Federal Financial Management Improvement Act.

Accountability of Tax Dollars Act of 2002

The Fiscal Year 2013 financial statement audit report identified material weaknesses in internal control over financial reporting.

Federal Information Security Management Act

EAC was in compliance with the Federal Information Security Management Act at the end of FY 2013.

Inspector General Act Amendments of 1988

The EAC Office of the IG audits HAVA funds administered by recipients of HAVA grants and transmits to EAC single audit reports that present findings on HAVA funds. The principal recipients of HAVA grant funds are State governments.



U.S. ELECTION ASSISTANCE COMMISSION
1335 East-West Highway, Suite 4-300
Silver Spring, MD 20910

December 16, 2013

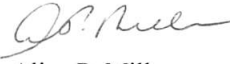
Annual Assurance Statement on Internal Control

The management of the Election Assistance Commission (EAC) is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the Federal Managers' Financial Integrity Act (FMFIA) and Office of Management and Budget (OMB) Circular A-123 *Management's Responsibility for Internal Control*. Internal control is an integral component of EAC's management that provides reasonable assurance the following objectives are being achieved: effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations.

EAC's assessment of internal controls for ensuring the effectiveness and efficiency of operations focused on assessing controls for ensuring the reliability of information associated with the performance measures presented in its strategic plan, and on self-assessments in the Office of the Chief Financial Officer (OCFO). With respect to assessing internal control designed to ensure the reliability of financial reporting, EAC is not required by OMB Circular A-123 to perform a separate assessment. EAC relied upon the evaluation of internal controls over financial reporting conducted by its independent auditors, on reports issued by the Inspector General, and on OCFO departmental risk assessments and letters of assurance over the accounting, budget, grants, procurement and overall EAC functions. With respect to internal controls to ensure compliance with laws and regulations, the EAC relied upon the evaluation conducted by its independent auditors and the Inspector General.

In FY 2013, EAC worked to provide final drafts which would finalize the remaining policies and procedures once there is a quorum of Commissioners; and to implement an action plan to address audit findings from FY 2012 and improve internal controls. The auditors found two material weaknesses in controls over financial management reporting which include a restatement of FY 2012. EAC will work with a financial management service provider to resolve the weaknesses.

Except for the material weaknesses mentioned above, the Commission provides a qualified statement of assurance that the internal control and financial management systems meet the objectives of the Federal Managers' Financial Integrity Act.


Alice P. Miller

SECTION II

Financial Section

II.A. MESSAGE FROM THE CHIEF FINANCIAL OFFICER

EAC's financial statements for FY 2013 are an integral component of the Agency Financial Report (AFR). This is the sixth year in its ten year operational existence that EAC has prepared financial statements and submitted them for audit. This is the fifth year EAC is presenting an AFR in place of the Performance and Accountability Report. EAC presents summarized performance data in this report, and plans on providing detailed data in conjunction with the Fiscal Year (FY) 2015 Congressional Justification.

For FYs 2009 through 2011, EAC received unqualified audited financial statement opinions in conjunction with a full-time staff accountant. After loss of the full-time accountant, hire of a part-time accountant to reduce administrative staffing levels, conversion from one financial service provider to another late in the fiscal year, and incompatible internal controls between the providers, among other reasons, the auditors were unable to opine on the FY 2012 financial statements.

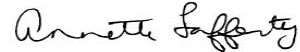
EAC hired a full-time accountant in February 2013 to implement an action plan addressing audit findings and to improve our internal controls. The action plan included detailed procedures and training related to advances, accruals, and accounts receivable; and a review of accounting treatment for FY 2012 financial entries. These actions were completed.

For FY 2013, the agency received a disclaimer opinion on the financial statements, due primarily to uncertainties relating to the disbursement of a requirements payment grant from a cancelled 2008 HAVA Section 251 election reform account in October 2013, and the remaining obligations therein. This is a complex appropriations law issue that could not be resolved before the end of the FY 2013 financial statement audit period. The uncertainties will undergo legal review, and a management determination about the propriety of the disbursement will be made. The October 2013 disbursement appears to represent a serious internal control issue. We plan on identifying and remediating this issue to avoid it in the future as soon as possible.

The FY 2013 audit opinion found one significant deficiency and two material weaknesses. One of the weaknesses is mandatory and is related to the FY 2012 restatement to correct entries for undelivered orders (orders issued by EAC for goods or services which have not yet been received). The second weakness was identified during interim financial statement audit testing by the auditors related primarily to the timeliness and accuracy of audit deliverables and supporting documentation. Several of the issues related to the material weakness were reported by the auditors in FY 2012. EAC will work to resolve issues with the disbursement of FY 2008 funds, create an action plan to strengthen controls over the preparation and review of entries and supporting documentation, request an action plan from the service provider, and pursue additional or different accounting resources during FY 2014 to improve the timeliness and accuracy of the statements and information provided for audit.

During FY 2013, to maximize efficiencies, EAC prepared for a paperless work environment with: 1) inexpensive storage at the National Archives and Records Administration Federal Records Center in Suitland, Maryland according to retention schedules, and 2) an October 2013 move to new office space. The new space is saving close to 75 percent on the agency's rent. EAC continues its commitment made in October 2010 to reduce staff, has reassigned functions internally, and uses the services of other agencies for economies of scale.

Following for your review are EAC's auditor's report, and financial statements and notes.



Annette Lafferty
December 16, 2013

II.B. INSPECTOR GENERAL'S ASSESSMENT


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



December 16, 2013

Memorandum

To: Ms. Alice Miller
Acting Executive Director

From: Curtis W. Crider 
Inspector General, U.S. Election Assistance Commission

Subject: Audit Report of the U.S. Election Assistance Commission's Financial Statements for
Fiscal Years 2013 and 2012 (Assignment No. I-PA-EAC-01-13)

Introduction

The Chief Financial Officer's (CFO) Act of 1990 (P.L. 101-576) as amended, requires the Inspector General for the U. S. Election Assistance Commission (EAC) or an independent external auditor, as determined by the Inspector General, to audit EAC's financial statements. The independent public accounting firm of Leon Snead & Company, P.C. (LSC) performed the audit of the EAC's financial statements as of September 30, 2013 and 2012 and for the years then ended. The audit was performed by LSC under a contract that was monitored by the Office of Inspector General (OIG). The contract required that the audit be performed in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and the Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*.

Results of Audit

In its audit report, LSC issued a disclaimer on EAC's financial statements. LSC identified two material weaknesses in internal control over financial reporting. In addition LSC identified that there were significant and pervasive uncertainties relating to the validity of approximately \$2.2 million in grant accruals, as well as, the validity of obligations totaling approximately \$900,000 relating to the 2008 requirements payment appropriation and reported in the FY 2013 financial statements. The resolution of the uncertainties which are pending a legal opinion, could result in the agency needing to report an Anti-Deficiency Act violation and an improper payment.

Evaluation of Leon Snead & Co. P.C.'s Audit Performance

To fulfill our responsibilities under the CFO Act of 1990, as amended, and other related financial management requirements, the OIG:

- Reviewed Leon Snead & Co. P.C.'s approach and planning of the audit;
- Evaluated the qualification and independence of the auditors;
- Monitored the progress of the audit at key points;
- Coordinated periodic meetings with EAC management to discuss progress, findings, and recommendations;
- Reviewed Leon Snead & Co. P.C.'s audit report;
- Performed other procedures we deemed necessary; and
- Coordinated issuance of the audit report.

Leon Snead & Co. P.C. is responsible for the attached auditor's report and the conclusions expressed in the report. We do not express any opinion on EAC's financial statements or conclusions on the effectiveness of internal control, or compliance with laws and regulations.

Report Distribution

The Inspector General Act of 1978, as amended, requires semiannual reporting to Congress on all reports issued, actions taken to implement recommendation, and recommendations that have not been implemented. Therefore, we will include the information in the attached audit report in our next semiannual report to Congress. The distribution of this report is not restricted and copies are available for public inspection.

The Office of Inspector General appreciates the courtesies and cooperation EAC extended to Leon Snead & Co. P.C. and the OIG staff during the audit. If you, or your staff, have any questions, please contact me at (301) 734-3104.

Attachment

Election Assistance Commission

II.C. INDEPENDENT AUDITOR'S REPORT

Election Assistance Commission

Audit of Financial Statements

**As of and for the Years Ended
September 30, 2013 and 2012**

Submitted By

Leon Snead & Company, P.C
Certified Public Accountants & Management Consultants

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II.C. INDEPENDENT AUDITORS' REPORT



LEON SNEAD
& COMPANY, P.C.

Certified Public Accountants
(£ Management Consultants)

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Rockville, Maryland 20850 301-738-
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leonsnead.companypc@erols.com

Independent Auditor's Report

Acting Executive Director, Election Assistance Commission
Inspector General, Election Assistance Commission

We were engaged to audit the accompanying financial statements of the U.S. Election Assistance Commission (EAC) which comprise the balance sheet, as of September 30, 2013 and September 30, 2012, the related statements of net cost, changes in net position, and budgetary resources for the years then ended, and the related notes to the financial statements.

SUMMARY

For fiscal years (FY) 2013 and 2012, and as further discussed in the Basis for Disclaimer of Opinion paragraph, we were unable to obtain sufficient appropriate audit evidence on which to base an opinion, and we concluded that the possible effects on the financial statements of undetected misstatements, if any, could be both material and pervasive. Because of the significance of the uncertainties, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion and accordingly, we do not express an opinion on the financial statements.

Our consideration of internal control would not necessarily disclose all deficiencies in internal control over financial reporting that might be material weaknesses under standards issued by the American Institute of Certified Public Accountants. However, our testing of internal control identified two material weaknesses. We also identified a significant deficiency related to financial statement preparation and support.

As discussed further in our Basis for Disclaimer of Opinion paragraph, we identified that there were certain significant transactions that pending a legal decision, and related management determination could result in EAC's noncompliance with certain significant provisions of laws, regulations, contracts and grant agreements that have a material effect on the financial statements.

REPORT ON THE FINANCIAL STATEMENTS

We were engaged to audit the accompanying financial statements of the EAC which comprise the balance sheet, as of September 30, 2013 and September 30, 2012, the related statements of net cost, changes in net position, and budgetary resources for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements.

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on conducting the audit in accordance with auditing standards generally accepted in the United States of America. Because of the matters described in the Basis for Disclaimer of Opinion paragraph; we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments in a Federal agency, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing opinions on the effectiveness of the agency's internal control or its compliance with laws, regulations, and significant provisions of contracts. Accordingly, no opinion is expressed.

Basis for Disclaimer of Opinion on the FY 2013 and 2012 Financial Statements

EAC and its service provider made significant efforts to identify and correct errors impacting the FY 2012 financial statements, and to strengthen internal controls during FY 2013; however, internal controls over financial reporting were ineffective in FY 2012. As a result of material weaknesses in internal control, we were unable to obtain sufficient competent evidential support for the restated amounts presented in the balance sheet as of September 30, 2012, and the related restated statements of net cost, changes in net position, and budgetary resources for the year then ended.

During our audit, we were advised by EAC officials that while EAC believed that they had properly presented the FY 2013 financial statements, there were significant and pervasive uncertainties relating to a grant liability accrual, as well as, the validity of remaining obligations reported for a 2008 requirements payments appropriation in the 2013 financial statements. EAC officials advised they were requesting legal counsel to assist in confirming the propriety of an approximately \$2.2 million grant accrual made from a FY 2008 requirements payments appropriation to one grantee, as well as, the approximately \$900,000 in related open obligations recorded in the FY 2013 financial statements. The EAC's service provider subsequently disbursed the \$2.2 million payment to the grantee in October 2013.

Significant uncertainties concerning the final resolution of the issues discussed above and in further detail in the findings and recommendations section of this report existed at the audit's completion. Based upon the existing conditions and available audit evidence, we have concluded that significant uncertainties exist relating to the reporting of expenses and obligations recorded in the fiscal year 2013 financial statements and it is not possible to form an opinion on the financial statements as a whole due to the interaction and possible cumulative effects of the uncertainties.

Disclaimer of Opinion on the 2013 and 2012 Financial Statements

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the FY 2013 and 2012 financial statements.

Restatement of Previously-Issued Financial Statements

In our report dated November 14, 2012, we disclaimed an opinion for FY 2012 financial statements because EAC was unable to provide accurate and timely accounting information from its general ledger, could not support amounts recorded for its grant expenses incurred, advances paid, and open obligations. Due to internal control and other accounting issues we were unable to obtain sufficient competent evidential support for the amounts presented. As described in Note 15, EAC and its service provider reviewed their accounting records, and made adjustments to the general ledger to correct accounting errors impacting fiscal year 2012 and restated its 2012 financial statements. However, due to the material internal control issues discussed in Basis for Disclaimer of Opinion paragraph, and our 2012 audit report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the restated 2012 financial statements. Accordingly, we do not express an opinion on these financial statements.

OTHER MATTERS

Required Supplementary Information and Required Supplementary Stewardship Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and information about investments in non-Federal physical property, and research be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Federal Accounting Standards Advisory Board (FASAB) who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information and required supplementary stewardship information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the

information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance, and due to the uncertainties discussed in the Basis for Disclaimer of Opinion paragraph.

Other Accompanying Information

The performance measures, and other related information are presented for the purposes of additional analysis and are not required parts of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

OTHER AUDITOR REPORTING REQUIREMENTS

Report on Internal Control

In planning and performing our audit of the financial statements of EAC, as of and for, the years ended September 30, 2013 and 2012, in accordance with auditing standards generally accepted in the United States of America, except as noted in our Disclaimer of Opinion paragraph, we considered the EAC's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the EAC's internal control. Accordingly, we do not express an opinion on the effectiveness of the EAC's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

Because of inherent limitations in internal controls, including the possibility of override of controls, misstatements, losses, or noncompliance may nevertheless occur and not be detected. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider findings two and three to be material weaknesses.

FINDINGS AND RECOMMENDATIONS

1. Significant Uncertainties Relating to Transactions Recorded in a FY 2008 Appropriation and Reported in the 2013 Financial Statements

As discussed in our Basis for Disclaimer of Opinion paragraph and other pertinent sections of this report, EAC officials advised that while EAC believed that they had properly presented the FY 2013 financial statements, significant uncertainties exist relating to the accrual of an approximately \$2.2 million grant payment, as well as the validity of remaining obligations totaling approximately \$900,000 reported for a 2008 requirements payments appropriation. The 2008 requirements payments appropriation, among other actions, provided \$115 million for requirements payments¹. Unlike prior and subsequent years the statement "available until expended" was not included in the 2008 requirements payments appropriation language. EAC and its previous and current service providers recorded the appropriation as an annual appropriation, and the funds were all obligated in FY 2008 by operation of law.

The significant uncertainties surrounding the financial events recorded in the 2013 financial statements relate to whether the 2008 requirements payments appropriation: (1) should be cancelled as required by 31 USC § 1552 which provides that "On September 30th of the 5th fiscal year after the period of availability for obligation of a fixed appropriation account ends, the account shall be closed and any remaining balance (whether obligated or unobligated) in the account shall be canceled and thereafter shall not be available for obligation or expenditure for any purpose"; or (2) obligations remain available until disbursed regardless of the fiscal year.

In discussions with EAC officials, we were advised that a legal opinion was needed to provide additional authoritative guidance to EAC officials to assist in resolving significant uncertainties about the propriety of the grant accrual, as well as related obligations recorded in the FY 2013 financial statements for the 2008 requirements payments appropriation.

The conflicting information obtained about the propriety of the reporting of the 2008 requirements payments appropriation in the 2013 financial statements varies significantly, as discussed below.

¹ The Help America Vote Act of 2002 established the EAC to assist in the administration of federal elections and charged the EAC with distributing payments to states under its authorized funding programs. HAVA authorizes payments to states for certain enumerated purposes, including meeting the requirements of Title HI of HAVA. These payments are called "requirements payments." HAVA provides that EAC shall make requirements payments in an amount determined by a specified allocation formula to each state that meets the statutory preconditions for the receipt of the requirements payments. For fiscal year 2008, Congress appropriated \$115,000,000 for requirements payments under part 1 of subtitle D of title II of the Help America Vote Act of 2002.

- In a June 26, 2008, legal opinion, EAC General Counsel (GC) officials stated the following:

"While the 2008 requirements payments are obligated by operation of law, as an annual appropriation its availability is limited. Federal statute mandates that "On September 30th of the 5th fiscal year after the period of availability for obligation of a fixed appropriation account ends, the account shall be closed and any remaining balance (whether obligated or unobligated) in the account shall be cancelled and thereafter shall not be available for obligation or expenditure for any purpose." 31 U.S.C.§1552. Like all annual appropriations, the 2008 requirements payments will only remain available for a period of five years after the period of availability (Fiscal Year 2008). Thus, any funding not disbursed to states after this five year period will be returned the Treasury."

Under this opinion, if still valid, the approximately \$900,000 in obligations reported for the 2008 requirements payments appropriation, as well as, the approximately \$2.2 million in grant expenses included in these statements would be improper, and would result in numerous line items in the financial statements being materially misstated.

- In discussions with EAC officials, review of available records and documents concerning the 2008 requirements payments appropriation, we noted the following.
 - The agency's service provider cancelled the 2008 requirements payments appropriation, and the general ledger trial balances reflected these funds as cancelled. The agency's FACTS I and FACTS II reports were filed on November 8, 2013, reflecting the 2008 requirements payments appropriation as cancelled without the approximately \$2.2 million disbursement having been made.
 - EAC officials forwarded documents authorizing the approximately \$2.2 million grant disbursement to its service provider in mid-October 2013, immediately after the government shutdown ended, and noted that its service provider should use available obligations in the 2008 requirements payments appropriation. EAC's service provider disbursed these funds to the grantee shortly after the grant documentation was provided to it by EAC.
 - The 2013 financial statements presented for audit on December 2, 2013, included as "topside" adjustments to the general ledger entries to record the accrual of the approximately \$2.2 million accounts payable (and related entries), and entries to record the approximately \$900,000 in undelivered orders remaining in the 2008 requirements payments

appropriation. This supports that the 2008 requirements payments appropriation should not have been and was not cancelled.

- During our audit, we were advised by officials from EAC's service provider, and obtained documentation indicating some EAC personnel concurred that the 2008 requirements payments appropriation was available, and did not need to be cancelled. In addition, we were advised by EAC's service provider that OMB, at some point, believed that the 2008 requirements payments appropriations remained available to EAC.
- During our audit, we were also advised by other EAC officials and officials from EAC's service provider that the 2008 requirements payments appropriation was no longer available, that funds could not be disbursed from this appropriation after the end of fiscal year 2013, and that undelivered orders were no longer valid. We have also been advised that OMB officials believed that the 2008 requirements payments appropriation should have been cancelled at the end of the 2013 fiscal year.

If the final definitive, authoritative decision by EAC management is that the 2008 requirements payments appropriation remains available to EAC, the 2013 financial statements properly present the transactions occurring for this appropriation. However, if it is determined that the 2008 requirements payments appropriation should have been cancelled, the 2013 financial statements presented for audit are materially misstated, and the agency potentially must report the approximately \$2.2 million disbursement as an Anti-Deficiency Act (ADA)² violation and as an improper payment. This payment was disbursed in mid-October 2013.

We have concluded that there are pervasive and significant uncertainties surrounding the propriety of the approximately \$2.2 million accrual, and the approximately \$900,000 in obligations included in the 2013 financial statements concerning the 2008 requirements payments appropriation. Because of these uncertainties, it is not possible to form an opinion on the financial statements as a whole due to the

² Once it is determined that there has been a violation of 31 U.S.C. §§ 1341(a), 1342, or 1517(a), the agency head "shall report immediately to the President and Congress all relevant facts and a statement of actions taken." 31 U.S.C. §§ 1351, 1517(b). The reports are to be signed by the agency head. The report to the President is to be forwarded through the Director of OMB. In addition, the heads of executive branch agencies and the Mayor of the District of Columbia shall also transmit "[a] copy of each report... to the Comptroller General on the same date the report is transmitted to the President and Congress." 31 U.S.C. §§ 1351, 1517(b), as amended by the Consolidated Appropriations Act, 2005, Pub. L. No. 108-447, div. G, title II, § 1401, 118 Stat. 2809,3192 (Dec. 8, 2004).

OMB has issued further instructions on preparing the reports, which may be found in OMB Circular No. A-11, Preparation, Submission, and Execution of the Budget, § 145 (June 21, 2005). The report is to include all pertinent facts and a statement of all actions taken to address and correct the Antideficiency Act violation (such as administrative discipline imposed, referral to the Justice Department where appropriate, and new safeguards imposed). An agency also should include a request for a supplemental or deficiency appropriation when needed.

interaction and possible cumulative effects of the uncertainties. Accordingly, we do not express an opinion on the 2013 financial statements.

Recommendations

1. Fully document all interim decisions made concerning the accrual and subsequent disbursement of the approximately \$2.2 million payment made to one grantee from 2008 requirements payments appropriations. Based upon an assessment of this documentation, strengthen internal control processes at EAC and, as appropriate, request internal controls at the service provider be further strengthened in this area.
2. Take action, if EAC management officials determine, based upon authoritative legal guidance, that the 2008 requirements payments appropriation should have been cancelled, to meet the reporting requirements of the ADA and OMB Circular A-136.

2. Interim Financial Statements Were Materially Misstated

The 2013 interim financial statements and footnotes provided to us for testing, and submitted to the Office of Management and Budget (OMB), as required by OMB Circular A-136, *Financial Reporting Requirements*, contained material misstatements. EAC and its service provider needed to strengthen their oversight and review of transactions processed in the General Ledger, and internal controls over financial reporting. Had EAC's internal controls over financial reporting been in place and operating effectively, the errors we identified would have been detected and corrected in the financial statements and budgetary reports. As a result, EAC's interim financial statements and the FACTS II (SF-133 Report on Budget Execution and Budgetary Resources) submissions to OMB were materially misstated for the first three quarters of FY 2013.

OMB Circular A-127, *Financial Management Systems*, requires that "financial events shall be recorded applying the requirements of the U.S. Government Standard General Ledger (USSGL). Application of the USSGL at the transaction level means that each time an approved transaction is recorded in the system, it will generate appropriate general ledger accounts for posting the transaction according to the rules defined in the USSGL guidance."

The GAO's, *Standards for Internal Control in the Federal Government*, provides that internal control and all transactions and other significant events need to be clearly documented, and the documentation should be readily available for examination. The GAO standards further provide, "Internal control should generally be designed to assure that ongoing monitoring occurs in the course of normal operations. It is performed continually and is ingrained in the agency's operations. It includes regular management and supervisory activities, comparisons, reconciliations, and other actions people take in performing their duties."

Office of Management and Budget (OMB) Circular No. A-123, *Management's Responsibility for Internal Control*, states "The agency head must establish controls that reasonably ensure that obligations and costs are in compliance with applicable laws; funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and revenues and expenditures applicable to agency operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports..."

OMB Circular A-136, Section 11.4.1 provides that reporting entities should ensure that information in the financial statements is presented in accordance with GAAP for Federal entities and the requirements of the Circular.

Until September 2013, prior year errors made in the general ledger postings of accounts payable accruals, and errors in the balance of outstanding undelivered orders remained uncorrected, and resulted in the 2013 interim financial statements and reports being materially misstated. In addition, EAC and its service provider processed journal voucher (JV) entries that were not in accordance with the United States Standard General Ledger (USSGL) causing additional material misstatements.

The following paragraphs provide details of the problems noted.

- We first reported problems with undelivered orders in our 2011 audit report, and continued to report significant out of balance conditions between the general ledger and subsidiary ledgers in our 2012 financial statement audit report. This problem contributed to the reporting of material internal control weaknesses and to the disclaimer of opinion on the financial statements for 2012. EAC and its service provider have been working to correct this long-standing problem since late in fiscal year 2012 when EAC moved their accounting operations to this service provider. EAC and the current service provider believe they have processed entries to correct this problem.
- Shortly after we initiated our testing of the June 30, 2013, interim financial statements, we determined that the FY 2013 statements contained errors resulting from the incorrect posting of EAC FY 2012 accounts payable accruals. This problem began during conversion of data from the previous service provider when accruals were incorrectly recorded as a standard payable, meaning that the amount would not be reversed the next accounting period. EAC's service provider had detected this error in June 2013, but erroneously posted JV to reverse these accruals to current year expenses. Therefore, this material error resulted in an approximately \$700,000 overstatement of FY 2012 accounts payable and expenses, and understated undelivered orders, and subsequently misstated FY 2013 accounts payable and expenses, and undelivered orders.
- We have reported in prior years that numerous JVs were either improper or were not supported resulting in a material internal control weakness. During our interim testing of the June 30, 2013, financial statements, we reviewed JVs, and

noted that improvements were made in documentation supporting JVs. However, we continued to find that material errors were being made in the posting models used for these JVs. Details follow:

- A \$201,230 adjustment was incorrectly made to reduce current year expenses to correct a prior year error. When we questioned this entry, it was later determined that the account payable was valid, and this entry was reversed.
- When grant funds were refunded to EAC in FY 2013, an adjusting JV did not contain a posting to GL 4802, as required by the USSGL, to remove the prepaid obligation remaining in the account from FY 2012 and totaling approximately \$302,000 causing an overstatement of obligations incurred in FY 2013. The agency agreed with us, and posted a correcting JV.
- The permanent reduction of about \$440,000 required by the sequestration legislation had neither been recorded, as required by authoritative guidance, to the EAC general ledger, nor properly presented in the June 30, 2013, interim financial statements. We determined that the EAC had properly calculated this reduction and had operational plans to make necessary budgetary adjustments; however, agency and service provider accounting personnel elected to not record the accounting entries without receiving a negative warrant. This error resulted in material misstatements to the agency's June 30, 2013, third quarter FACTS II reports, and several financial statement line items by about \$440,000.
- Documentation provided to support the breakout of governmental and public accounts payable line items on the balance sheet, and the Statement of Net Cost (SNC) footnote did not contain sufficient information to enable us to determine whether the information was correct, or did not support the financial statement presentations. Also, the spreadsheet used to allocate costs to the agency's responsibility segments to support the SNC footnote was not updated to reflect the current staffing levels, and since staffing levels are used to allocate material costs between the responsibility segments this error was significant.
- Errors were identified with the plant, property and equipment line item and related footnote. The depreciation schedule for two property items showed the agency and service provider made errors in calculating depreciation. For example, our audit tests showed that one property item was put in service in July 2011 while the agency showed the property was placed in service about 14 months later. This resulted in understatement of accumulated depreciation and an overstatement of plant, property and equipment.
- GL 4450, Unapportioned Authority, contained an unexplained balance of about \$234,000.

Recommendations

3. Ensure a comprehensive analysis of JVs is completed prior to approving JVs prepared by the service provider. Analyze the problems reported with JVs

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processed during 2013, and strengthen controls to preclude these errors from recurring.

4. Develop specific information requirements and financial statement preparation checklists that the service provider and EAC must complete, including affirmation that documentation is sufficient and supports all financial statements and footnotes, prior to submitting financial statements to OMB and for audit.
5. Strengthen internal controls to ensure that necessary supporting documentation for all financial statement line items and footnotes is compiled, reviewed, and approved by EAC personnel before submitting the financial statements for audit and to OMB.
6. Strengthen the quality control process used by EAC to ensure that financial statements and reports presented to OMB and for audit are fairly stated in all material respects, and in accordance with FASAB, USSGL, and A-136.

3. Restatement of Fiscal Year 2012 Financial Statements

In our report dated November 14, 2012, we disclaimed an opinion for fiscal year 2012 financial statements. This was because EAC and its service provider were unable to provide accurate and timely accounting information from its general ledger, could not support amounts recorded for its grant expenses incurred and advances paid, and because of material internal control weaknesses, and other accounting issues. Therefore, we were unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we did not express an opinion on the FY 2012 financial statements.

EAC and its service provider worked throughout most of fiscal year 2013 to review accounting records and detailed supporting information in order to determine the financial impact of the problems we reported, and determine what adjustments to the general ledger were necessary. As a result of these efforts, EAC restated its 2012 financial statements. The value of the adjustments made to the 2012 financial statement line items total approximately \$5.2 million. We tested the actions taken by the EAC and its service provider, and concurred in the valuation and recording of these adjustments. However, due to the extent of material internal control issues reported, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the restated 2012 financial statements.

As required by OMB Circular A-136, EAC must report this restatement as a material internal control weakness over financial reporting in the agency's Federal Managers Financial Integrity Act (FMFIA) management assurance report for fiscal year 2013. We determined that the EAC has reported this material weakness in its FMFIA report.

Since we included audit recommendations to address the material internal control weaknesses in our 2012 financial statement audit report, we are making no recommendations on this matter in this report.

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Management of EAC reported the aforementioned material weaknesses in its reporting prepared pursuant to the Federal Managers' Financial Integrity Act (FMFIA).

A summary of the status of prior year findings is included as Attachment 1.

Report on Compliance

We performed tests of EAC's compliance with certain provisions of laws, regulations, and significant provisions of contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts, and certain other laws and regulations specified in the OMB audit bulletin. We limited our tests of compliance to these provisions, and we did not test compliance with all laws and regulations applicable to the EAC. Providing an opinion on compliance with certain provisions of laws, regulations, and significant contract provisions, and grant agreements was not an objective of our audit and, accordingly, we do not express such an opinion.

As discussed in detail in Finding No. 1, during our audit, we obtained information from EAC officials that there were significant and pervasive uncertainties relating to the validity of approximately \$2.2 million in grant accruals, as well as, the validity of obligations totaling approximately \$900,000 relating to the 2008 requirements payment appropriation and reported in the FY 2013 financial statements. The resolution of these uncertainties which are pending a legal opinion could result in the agency needing to report an ADA violation and an improper payment.

Because of these significant and pervasive uncertainties, we were unable to determine whether the EAC complied with applicable laws, regulations, or significant provisions of laws, regulations, contracts and grant agreements that have a material effect on the financial statements insofar as they relate to accounting matters.

Purpose of the Other Reporting Required by Government Auditing Standards

The purpose of the communication provided in the Other Reporting Required by Government Auditing Standards section is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the agency's internal control or on compliance. This communication is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering internal control and compliance with provisions of laws, regulations, contracts, and grant agreements that have a material effect on the financial statements. Accordingly, this communication is not suitable for any other purpose.

Agency Response

In a memorandum dated December 13, 2013, EAC officials generally concurred with the report's findings and recommendations. In addition, EAC officials provided specific

actions that they agency planned to take to address the recommendations in this report. A copy of management's response is included, in its entirety, as Attachment 2.

Auditor Comments

Since EAC officials general agreed with the recommendations, and provided the actions the agency plans to take, we have no additional comments.

This report is intended solely for the information and use of the management, the EAC, the Office of Inspector General, and others within the EAC, OMB, and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

Leon Snead & Company, P.C.

Rockville, Maryland

December 16, 2013

Status of Prior Year Findings

Finding No.	Rec Nos.	FY 2012 Recommendations	Status
1	1	Ensure that EAC personnel with federal accounting expertise, including the preparation of financial statements, are available to assist EAC officials in providing appropriate oversight and reporting of its financial and accounting operations.	Closed
	2	Develop a detailed operating procedure that provides guidance on the preparation, review and approval of agency financial statements, and requires supporting documentation to be compiled, reviewed and approved for all financial statement line items and footnotes prior to submission for audit.	Open. While the problem has been reduced significantly, we continued to note that necessary supporting documentation was not always provided.
	3	Develop policies and detailed operating procedures relating to the accounting for and control of advances made by EAC. Ensure these policies and procedures specify: (a) under what circumstances advances are provided; (b) roles and responsibilities; and (c) monitoring and reporting requirements for determining when advances are reduced, and/or accounts receivable should be recorded so that accounting records are accurate. Reconsider providing advances to other federal agencies.	Closed
	4	Review accounting, grant and contracting records for fiscal year 2012 to ensure that all advances have been properly recognized in the agency's accounting and subsidiary records.	Closed
	5	Take action to have advances promptly returned to the agency when either the grant has expired, the purpose of the grant has been completed, when the purpose of the non-grant advance has been accomplished, or when the funds are not being used in a timely manner.	Closed
	6	Ensure that problems identified with undelivered orders in the accounting system are corrected, and controls are established to prevent such problems in the future	Closed
	7	Complete the analysis of differences between EAC grant subsidiary records and the general ledger accounting system, and make necessary adjustments to those systems that are incorrect. Maintain documentation of the problems noted, and revise or issue EAC policies and operating procedures to ensure that the problem does not recur	Closed
	8	Strengthen EAC's subsidiary grant records to ensure that accurate and complete information is maintained on grant advances, disbursements, and other required information	Closed

Election Assistance Commission

Finding No.	Rec Nos.	FY 2012 Recommendations	Status
	9	Strengthen EAC policies and procedures for identifying the amount that should be accrued for grant and non-grant liabilities.	Closed.
2	1	Implement an internal control process that provides appropriate agency oversight over the JVs processed by the current service provider.	Open. Significant issues continue in this area.
	2	Provide training to EAC accounting personnel to ensure that they have the skills to provide adequate oversight of this area.	Open. Problems in posting JVs during 2013 continue.
Finding No.	Rec Nos.	FY 2011 Recommendations³	Status
la	1	Strengthen the agreement with the service provider to ensure that financial statements and supporting documentation are required to be provided to EAC and its auditors in a timely manner.	Closed.
	2	Develop specific information requirements and checklists that the service provider must complete and provide to EAC to support interim and year-end financial statements.	Closed.
lb	4	Review all 2011 fiscal year JVs that have not been approved by EAC to ensure that the entries are proper. Require the service provider to provide documentation that supports it meets published control procedures relating to preparation of JVs.	Closed.
ld	5	Ensure that the service provider corrects the problem with its undelivered order aging report.	Closed.
	6	Ensure that EAC's internal controls over financial reporting, including strengthened oversight over its accounting service provider, are re-established.	Closed.

⁵ The following information relates to the FY 2011 audit recommendations that were still considered open when the 2012 audit was released.


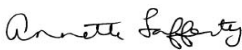
Election Assistance Commission



U.S. Election Assistance Commission 1335
East-West Highway, Suite 4-100 Silver
Spring, MD 20910 www.eac.gov

Attachment 2

To: Curtis W. Crider, Inspector General

From: Alice Miller, Chief Operating and Acting Executive Director 
Annette Lafferty, Chief Financial Officer 

Date: December 13, 2013

Subject: Election Assistance Commission Response to the Draft Audit Report of the U.S. Election Assistance Commission's Financial Statements for Fiscal Years 2013 and 2012 (Assignment No. I-PA-EAC-01-13)

The Election Assistance Commission (EAC) went into Fiscal Year (FY) 2013 with relatively new agency staff and a financial service provider with another federal agency via memorandum of understanding. As you know, EAC changed financial service providers on July 1, 2012. Further, two agency program staff members and the agency accountant with experience in presenting information to its financial statement auditors left the agency by September 2011. Due to a commitment made in October 2010, EAC has been limiting staff replacement in an effort to improve efficiencies. Subsequently, after the loss of staff involved with financial statement audits, existing staff were reassigned and a new CPA staff member was hired in February 2013. The action plan created to address FY 2012 audit findings was implemented in FY 2013.

In the audit report, Leon Snead & Company, P.C. (LSC) issued a disclaimer on the agency's FY 2013 financial statements. The agency generally concurs with facts stated in the report, where one significant deficiency and two material weaknesses were identified (one related to restatement of the FY 2012 statements). In addition, there were uncertainties relating to the validity of approximately \$2.2 million in a grant accrual and disbursement from the 2008 requirements payment appropriation that canceled on September 30, 2013. As of this writing, there appears to be a serious internal control issue with the agency's contractual disbursing officer, EAC's financial service provider. At this time, the agency is working with the U.S. Department of Treasury to clarify the appropriateness of disbursement of funds approved for payment by EAC prior to the end of FY 2013 issue.

Our next steps will be to obtain a legal opinion or decision on 2008 Help America Vote Act (HAVA) Section 251 requirements payments as described in the audit report, and issue a management decision on the propriety of the \$2.2 million disbursement. Subsequent to further analysis and appropriate evaluation of the disbursement by OMB, Treasury, and EAC management and counsel, management may issue a written notice to meet federal reporting requirements. EAC will create a corrective action plan to address findings in the audit report, and determine if additional or alternative accounting resources in FY 2014 will effectively assist in improving controls and timeliness.

Following, please find the EAC responses to recommendations made in the Draft Audit Report for FYs 2013 and 2012.

Attachment 2

Recommendation 1: Fully document all interim decisions made concerning the accrual and subsequent disbursement of the approximately \$2.2 million payment made to one grantee from 2008 appropriations. Based upon an assessment of this documentation, strengthen internal control processes at EAC and, as appropriate, request internal controls at the service provider be further strengthened in this area.

Management Response: *EAC will document all actions taken regarding the accrual and disbursement of the payment from 2008 funds, and will review and reconcile the agency record of events with timeline information provided by the service provider. The agency will develop written procedures to strengthen internal controls such as ensuring that any and all agency and service provider staff involved is familiar with and follow practices and mandates for accounting entries and payments. Further, EAC will request a corrective action plan from its service provider on its processes and internal controls.*

Recommendation 2: Take action, if EAC management officials determine, based upon authoritative legal guidance, that the 2008 appropriation should have been cancelled, to meet the reporting requirements of the ADA and OMB Circular A-136.

Management Response: *EAC will take action to comply with ADA and A-136 if a legal opinion or decision indicates a violation occurred.*

Recommendation 3: Ensure a comprehensive analysis of JVs is completed prior to approving JVs prepared by the service provider. Analyze the problems reported with JVs processed during 2013, and strengthen controls to preclude these errors from recurring.

Management Response: *EAC agrees that a sound internal control process and oversight are necessary for the processing of Journal Vouchers (JVs). We will work with the current service provider on a review and documentation process for necessary JVs to ensure the reasons for the entries and the amounts for them are fully documented at the time of the entry, and they are clear, correct, and agreed upon. Further, EAC will analyze FY 2013 JVs, discover what recurring issues if any occurred, and will strengthen internal controls needed such as level of staff involved in approving the entries, and ensure that there is sufficient time available for review and approval prior to entry both internally and with the current and any future service providers.*

Recommendation 4: Develop specific information requirements and financial statement preparation checklists that the service provider and EAC must complete, including affirmation that documentation is sufficient and supports all financial statements and footnotes, prior to submitting financial statements to OMB and for audit.

Management Response: *EAC agrees that a checklist is important to ensure that all necessary steps are taken, and plans on developing one based on EACs extensive Accounting Manual and in conjunction with its service provider and possibly consultants. Further, the agency will work with its current service provider regarding an apparent lack of staff to provide quarterly financial statements in time to allow the agency sufficient time to thoroughly review financial statement information before OMB quarterly deadlines, and to meet agreed upon deadlines for providing information required for financial statement audit in time for agency and then auditor review timely.*

Recommendation 5: Strengthen internal controls to ensure that necessary supporting documentation for all financial statement line items and footnotes is compiled, reviewed, and approved by EAC personnel before submitting the financial statement for audit and to OMB.

Management Response: *With both EACs previous and current financial services provider, there has been a pattern of receiving financial statements for review on the day or very close to the day the statements are due to OMB. This appears to be due to insufficient provider staff to meet federal reporting deadlines for numerous client agencies.*

Further, in order to meet the federal reporting deadlines for numerous client agencies, the service provider staff is unavailable to work on client agency Provided by Client (PBC) audit response work. Subsequently, audit response deadlines are continually pushed back. The changes in dates often do not allow for thorough agency and auditor review during the annual financial statement audit process.

EAC will examine this recurring pattern of service provider last minute completion of statements and repeated agreed upon date changes for and delays in PBC responses with its financial services provider, and work with the service provider on resolution of this issue.

Recommendation 6: Strengthen the quality control process used by EAC to ensure that financial statements and reports presented to OMB and for audit are fairly stated in all material respects, and in monitoring of internal controls to ensure that controls are operating effectively. Document the actions taken to strengthen controls.

Management Response: *EAC plans on writing more extensive procedures and controls identifying roles and responsibilities in its Accounting Manual for each step in the process. In conjunction with its service provider, the agency will detail what constitutes adequate supporting documentation for all statement line items and notes, and staff levels of approval required at the agency and service provider.*

II.D. FINANCIAL STATEMENTS

**ELECTION ASSISTANCE COMMISSION
BALANCE SHEET
AS OF SEPTEMBER 30, 2013
(In Dollars)**

	2013	Restated 2012
Assets:		
Intragovernmental		
Fund Balance With Treasury (Note 2)	\$ 30,961,037	\$ 38,450,929
Accounts Receivable (Note 3)	-	20,000
Other (Note 4)	287,680	392,040
Total Intragovernmental	31,248,717	38,862,969
Accounts Receivable (Note 3)	1,012	304,919
Property, Equipment, and Software (Note 5)	1,253,566	923,984
Other (Note 4)	17,638	1,651
Total Assets	\$ 32,520,933	\$ 40,093,523
Liabilities:		
Intragovernmental		
Accounts Payable	\$ 825,403	\$ 535,064
Other (Note 7)	15,549	249,127
Total Intragovernmental	840,952	784,191
Accounts Payable	408,467	59,161
Other (Note 7)	7,492,504	876,409
Total Liabilities	\$ 8,741,923	\$ 1,719,761
Net Position:		
Unexpended Appropriations - Other Funds	\$ 22,740,863	\$ 37,668,292
Cumulative Results of Operations - Other Funds	1,038,147	705,470
Total Net Position	\$ 23,779,010	\$ 38,373,762
Total Liabilities and Net Position	\$ 32,520,933	\$ 40,093,523

**ELECTION ASSISTANCE COMMISSION
STATEMENT OF NET COST
FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2013
(In Dollars)**

	2013	Restated 2012
Program Costs:		
Communications and Clearinghouse		
Gross Costs	\$ 662,201	\$ 713,994
Fund and Oversee		
Gross Costs	\$ 16,376,101	\$ 7,559,698
Research, Policy, and Programs		
Gross Costs	\$ 1,495,652	\$ 1,889,288
Testing and Certifications		
Gross Costs	\$ 3,039,641	\$ 3,442,063
Net Cost of Operations	\$ 21,573,595	\$ 13,605,043

**ELECTION ASSISTANCE COMMISSION
STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2013
(In Dollars)**

	2013	Restated 2012
Cumulative Results of Operations:		
Beginning Balances	\$ 705,470	\$ 1,048,499
Beginning Balances, as Adjusted	705,470	1,048,499
Budgetary Financing Sources:		
Appropriations Used	21,725,896	13,030,165
Imputed Financing Sources	180,376	231,849
Total Financing Sources	21,906,272	13,262,014
Net Cost of Operations	(21,573,595)	(13,605,043)
Net Change	332,677	(343,029)
Cumulative Results of Operations	\$ 1,038,147	\$ 705,470
Unexpended Appropriations:		
Beginning Balances	\$ 37,668,292	\$ 44,650,213
Beginning Balances, as Adjusted	37,668,292	44,650,213
Budgetary Financing Sources:		
Appropriations Received	11,500,000	11,500,000
Appropriations Transferred In/Out	(2,744,500)	(2,750,000)
Other Adjustments	(1,957,033)	(2,701,756)
Appropriations Used	(21,725,896)	(13,030,165)
Total Budgetary Financing Sources	(14,927,429)	(6,981,921)
Total Unexpended Appropriations	\$ 22,740,863	\$ 37,668,291
Net Position	\$ 23,779,010	\$ 38,373,762

**ELECTION ASSISTANCE COMMISSION
STATEMENT OF BUDGETARY RESOURCES
FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2013
(In Dollars)**

	2013	Restated 2012
Budgetary Resources:		
Unobligated Balance Brought Forward, October 1	\$ 11,956,227	\$ 12,425,038
Unobligated Balance Brought Forward, October 1, as adjusted	11,956,227	12,425,038
Recoveries of Prior Year Unpaid Obligations	400,379	2,299,992
Other changes in unobligated balance	(1,493,855)	(2,701,757)
Unobligated balance from prior year budget authority, net	10,862,751	12,023,273
Appropriations	8,292,322	8,750,000
Spending authority from offsetting collections	784,656	635,978
Total Budgetary Resources	\$ 19,939,729	\$ 21,409,251
Status of Budgetary Resources:		
Obligations Incurred	\$ 8,066,216	\$ 9,453,024
Unobligated balance, end of year:		
Apportioned	3,340,944	3,221,665
Unapportioned	8,532,569	8,734,562
Total unobligated balance, end of year	11,873,513	11,956,227
Total Budgetary Resources	\$ 19,939,729	\$ 21,409,251
Change in Obligated Balance		
Unpaid Obligations:		
Unpaid Obligations, Brought Forward, October 1	\$ 26,534,702	\$ 32,727,986
Obligations Incurred (Note 11)	8,066,216	9,453,024
Outlays (gross)	(15,113,015)	(13,346,316)
Recoveries of Prior Year Unpaid Obligations	(400,379)	(2,299,992)
Unpaid Obligations, End of Year (Gross)	19,087,524	26,534,702
Uncollected payments:		
Uncollected Customer Payments, Federal Sources, Brought Forward, October 1	(20,000)	-
Change in Uncollected Customer Payments, Federal Sources	20,000	(20,000)
Uncollected Customer Payments, Federal Sources, End of Year	-	(20,000)
Memorandum entries:		
Obligated Balance, Start of Year	\$ 26,494,702	\$ 32,727,986
Obligated Balance, End of Year	\$ 19,087,524	\$ 26,494,702
Budget Authority and Outlays, Net:		
Budget authority, gross	\$ 9,076,978	\$ 9,385,978
Actual offsetting collections	(804,656)	(615,978)
Change in uncollected customer payments from Federal sources	20,000	(20,000)
Budget Authority, net	\$ 8,292,322	\$ 8,750,000
Outlays, gross	\$ 15,113,015	\$ 13,346,316
Actual offsetting collections	(804,656)	(615,978)
Outlays, net	14,308,359	12,730,338
Agency outlays, net	\$ 14,308,359	\$ 12,730,338

II.E. NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

U.S. Election Assistance Commission (EAC) is an independent, bipartisan commission charged with developing guidance to meet the Help America Vote Act (HAVA) requirements, adopting voluntary voting system guidelines, and serving as a national clearinghouse of information about election administration. EAC also accredits testing laboratories and certifies voting systems, as well as audits the use of HAVA funds.

Other responsibilities include distributing and monitoring HAVA funds provided to States and other grantees; and maintaining the national mail voter registration form developed in accordance with the National Voter Registration Act of 1993.

HAVA established the Standards Board and the Board of Advisors to advise EAC. The law also established the Technical Guidelines Development Committee to assist EAC in the development of voluntary voting system guidelines.

The four EAC commissioners are appointed by the president and confirmed by the United States Senate. EAC is required to submit an annual report to Congress as well as testify periodically about HAVA progress and related issues. The commission also holds public meetings and hearings to inform the public about its progress and activities.

The EAC reporting entity is comprised of General Funds. General Funds are accounts used to record financial transactions arising under congressional appropriations or other authorizations to spend general revenues. EAC manages Salaries and Expenses, Election Reform Program and Election Data Collection Grants General Fund accounts.

EAC has rights and ownership of all assets reported in these financial statements. EAC does not possess any non-entity assets.

B. Basis of Presentation

The financial statements have been prepared to report the financial position and results of operations of EAC. The Balance Sheet presents the financial position of the agency. The Statement of Net Cost presents the agency's operating results; the Statement of Changes in Net Position displays the changes in the agency's equity accounts. The Statement of Budgetary Resources presents the sources, status, and uses of the agency's resources and follows the rules for the Budget of the United States Government.

The statements are a requirement of the Chief Financial Officers Act of 1990, the Government Management Reform Act of 1994 and the Accountability of Tax Dollars Act of 2002. They have been prepared from, and are fully supported by, the books and records of EAC in accordance with

the hierarchy of accounting principles generally accepted in the United States of America, standards issued by the Federal Accounting Standards Advisory Board (FASAB), Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*, as amended, and EAC accounting policies which are summarized in this note. These statements, with the exception of the Statement of Budgetary Resources, are different from financial management reports, which are also prepared pursuant to OMB directives that are used to monitor and control EAC's use of budgetary resources. The financial statements and associated notes are presented on a comparative basis. Unless specified otherwise, all amounts are presented in dollars.

C. Basis of Accounting

Transactions are recorded on both an accrual accounting basis and a budgetary basis. Under the accrual method, revenues are recognized when earned, and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Budgetary accounting facilitates compliance with legal requirements on the use of federal funds.

D. Fund Balance with Treasury

Fund Balance with Treasury is the aggregate amount of the EAC's funds with Treasury in expenditure accounts. Appropriated funds recorded in expenditure accounts are available to pay current liabilities and finance authorized purchases.

The EAC does not maintain bank accounts of its own, has no disbursing authority, and does not maintain cash held outside of Treasury. Treasury disburses funds for the agency on demand.

E. Accounts Receivable

Accounts receivable consists of amounts owed to EAC by other Federal agencies and the general public. EAC has made advance payments for services from other Federal Agencies. When the period of performance for these services expires without fulfillment of the contract, a receivable is recorded. EAC has also made advance grant payments to the states for the primary purpose of replacing punch card or lever voting machines. The period of use of this grant money has expired. All unused funds that have not been returned have been recorded as a receivable. Amounts due from Federal agencies are considered fully collectible. Accounts receivable from the public include reimbursements from employees. An allowance for uncollectible accounts receivable from the public is established when, based upon a review of outstanding accounts and the failure of all collection efforts, management determines that collection is unlikely to occur considering the debtor's ability to pay.

F. Property, Equipment, and Software

Property, equipment and software represent furniture, fixtures, equipment, and information technology hardware and software which are recorded at original acquisition cost and are depreciated or amortized using the straight-line method over their estimated useful lives. Major alterations and renovations are capitalized, while maintenance and repair costs are expensed as incurred. EAC's capitalization threshold varies based on the property classification for assets with a useful life of 2 or more years. For general property and equipment, the capitalization threshold is

\$10,000 with a bulk purchase policy of \$100,000. For leasehold improvements and software, the capitalization threshold is \$25,000.

Property, equipment, and software acquisitions that do not meet the capitalization criteria are expensed upon receipt. Applicable standard governmental guidelines regulate the disposal and convertibility of agency property, equipment, and software. The useful life classifications for capitalized assets are as follows:

<u>Description</u>	<u>Useful Life (years)</u>
Leasehold Improvements	4 - 7
Office Furniture	5
Computer Equipment	5
Office Equipment	5
Software	5

G. Advances and Prepaid Charges

On occasion the EAC prepays amounts in anticipation of receiving future benefits. Although a payment has been made, an expense is not recorded until goods have been received or services have been performed. The EAC has prepayments and advances with non-governmental, as well as governmental, vendors.

H. Liabilities

Liabilities represent the amount of funds likely to be paid by the EAC as a result of transactions or events

EAC reports its liabilities under two categories, Intragovernmental and With the Public. Intragovernmental liabilities represent funds owed to another government agency. Liabilities With the Public represents funds owed to any entity or person that is not a federal agency, including private sector firms and federal employees. Each of these categories may include liabilities that are covered by budgetary resources and liabilities not covered by budgetary resources.

Liabilities covered by budgetary resources are liabilities funded by a current appropriation or other funding source. These consist of accounts payable and accrued payroll and benefits. Accounts payable represent amounts owed to another entity for goods ordered and received and for services rendered except for employees. Accrued payroll and benefits represent payroll costs earned by employees during the fiscal year which are not paid until the next fiscal year. EAC also accrues liabilities for Section 251 grants, research and development grants for such items as improving voting technology and processes for injured military personnel, and logic and accuracy testing grants. See the required supplemental information for a more detailed explanation of the grants.

Liabilities not covered by budgetary resources are liabilities that are not funded by any current appropriation or other funding source. These liabilities consist of accrued annual leave.

I. Annual, Sick, and Other Leave

Annual leave is accrued as it is earned, and the accrual is reduced as leave is taken. The balance in the accrued leave account is adjusted to reflect current pay rates. Liabilities associated with other types of vested leave, including compensatory, restored leave, and sick leave in certain circumstances, are accrued at year-end, based on latest pay rates and unused hours of leave. Funding will be obtained from future financing sources to the extent that current or prior year appropriations are not available to fund annual and other types of vested leave earned but not taken. Nonvested leave is expensed when used. Any liability for sick leave that is accrued but not taken by a Civil Service Retirement System (CSRS)-covered employee is transferred to the Office of Personnel Management (OPM) upon the retirement of that individual. Credit is given for sick leave balances in the computation of annuities upon the retirement of Federal Employees Retirement System (FERS)-covered employees effective at 50% beginning FY 2010 and 100% in 2014.

J. Accrued and Actuarial Workers' Compensation

The Federal Employees' Compensation Act (FECA) administered by the U.S. Department of Labor (DOL) addresses all claims brought by the EAC employees for on-the-job injuries. The DOL bills each agency annually as its claims are paid, but payment of these bills is deferred for two years to allow for funding through the budget process. Similarly, employees that the EAC terminates without cause may receive unemployment compensation benefits under the unemployment insurance program also administered by the DOL, which bills each agency quarterly for paid claims. Future appropriations will be used for the reimbursement to DOL.

K. Retirement Plans

EAC employees participate in either the CSRS or the FERS. The employees who participate in CSRS are beneficiaries of EAC matching contribution, equal to seven percent of pay, distributed to their annuity account in the Civil Service Retirement and Disability Fund.

Prior to December 31, 1983, all employees were covered under the CSRS program. From January 1, 1984 through December 31, 1986, employees had the option of remaining under CSRS or joining FERS and Social Security. Employees hired as of January 1, 1987 are automatically covered by the FERS program. Both CSRS and FERS employees may participate in the federal Thrift Savings Plan (TSP). FERS employees receive an automatic agency contribution equal to one percent of pay and EAC matches any employee contribution up to an additional four percent of pay. For FERS participants, EAC also contributes the employer's matching share of Social Security.

FERS employees and certain CSRS reinstatement employees are eligible to participate in the Social Security program after retirement. In these instances, EAC remits the employer's share of the required contribution.

EAC recognizes the imputed cost of pension and other retirement benefits during the employees' active years of service. OPM actuaries determine pension cost factors by calculating the value of pension benefits expected to be paid in the future and communicate these factors to EAC for

current period expense reporting. OPM also provides information regarding the full cost of health and life insurance benefits. EAC recognized the offsetting revenue as imputed financing sources to the extent these expenses will be paid by OPM.

EAC does not report on its financial statements information pertaining to the retirement plans covering its employees. Reporting amounts such as plan assets, accumulated plan benefits, and related unfunded liabilities, if any, is the responsibility of the OPM, as the administrator.

L. Other Post-Employment Benefits

EAC employees eligible to participate in the Federal Employees' Health Benefits Plan (FEHBP) and the Federal Employees' Group Life Insurance Program (FEGSIP) may continue to participate in these programs after their retirement. The OPM has provided the EAC with certain cost factors that estimate the true cost of providing the post-retirement benefit to current employees. The EAC recognizes a current cost for these and Other Retirement Benefits (ORB) at the time the employee's services are rendered. The ORB expense is financed by OPM, and offset by the EAC through the recognition of an imputed financing source.

M. Use of Estimates

The preparation of the accompanying financial statements in accordance with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. Actual results could differ from those estimates.

N. Imputed Costs/Financing Sources

Federal Government entities often receive goods and services from other Federal Government entities without reimbursing the providing entity for all the related costs. In addition, Federal Government entities also incur costs that are paid in total or in part by other entities. An imputed financing source is recognized by the receiving entity for costs that are paid by other entities. EAC recognized imputed costs and financing sources in fiscal years 2013 and 2012 to the extent directed by accounting standards.

O. Grants

The EAC administers and oversees the grant making process in connection with federal Requirements Payments and grants made to recipient organizations and the HAVA. As Requirements Payments and grants are awarded, they are recorded as obligations and represent uses of budgetary resources.

Payments made under the grant awards for expenditures already incurred by the recipients are fully expended and are included in the statement of net costs. Grant awards made to grantees in advance of expenditures are recorded as advances and are included in the balance sheet.

NOTE 2. FUND BALANCE WITH TREASURY

Fund balance with Treasury account balances as of September 30, 2013 and 2012, were as follows:

	2013	2012
Fund Balances:		
Appropriated Funds	30,961,037	38,450,929
Total	\$ 30,961,037	\$ 38,450,929

Status of Fund Balance with Treasury:

Unobligated Balance		
Available	\$ 3,340,944	\$ 3,221,665
Unavailable	8,532,569	8,734,562
Obligated Balance Not Yet Disbursed	19,087,524	26,494,702
Total	\$ 30,961,037	\$ 38,450,929

No discrepancies exist between the Fund Balance reflected on the Balance Sheet and the balances in the Treasury accounts.

The available unobligated fund balances represent the current-period amount available for obligation or commitment.

The unavailable unobligated fund balances represent the amount of appropriations for which the period of availability for obligation has expired. These balances are available for upward adjustments of obligations incurred only during the period for which the appropriation was available for obligation or for paying claims attributable to the appropriations.

The obligated balance not yet disbursed includes accounts payable, accrued expenses, and undelivered orders that have reduced unexpended appropriations but have not yet decreased the fund balance on hand (see also Note 12).

NOTE 3. ACCOUNTS RECEIVABLE

Accounts receivable balances as of September 30, 2013 and 2012, were as follows:

	2013	2012
Intragovernmental		
Accounts Receivable	\$ -	\$ 20,000
Total Intragovernmental Accounts Receivable	\$ -	\$ 20,000
With the Public		
Section 102 Grants		302,096
Employee Receivables	1,012	2,823
Total Public Accounts Receivable	\$ 1,012	\$ 304,919
Total Accounts Receivable	\$ 1,012	\$ 324,919

The accounts receivable is primarily made up of moneys due from funds that had been advanced for services that were not used and employee receivables.

Historical experience has indicated that the majority of the receivables are collectible. There are no material uncollectible accounts as of September 30, 2013 and 2012.

NOTE 4. ADVANCES AND PREPAYMENTS

Advances and Prepayments balances as of September 30, 2013 and 2012, were as follows:

	2013	2012
Intragovernmental		
Advances and Prepayments	\$ 287,680	\$ 392,040
With the Public		
Advances and Prepayments	17,638	1,651
Total Other Assets	\$ 305,318	\$ 393,691

NOTE 5. PROPERTY, EQUIPMENT, AND SOFTWARE

Schedule of Property, Equipment, and Software as of September 30, 2013

Major Class	Acquisition Cost	Accumulated Amortization/Depreciation	Net Book Value
Leasehold Improvements	\$ 675,216	\$ 590,814	\$ 84,402
Furniture & Equipment	1,389,721	886,350	503,371
Software	172,721	93,375	79,346
Construction-in-Progress	530,614	N/A	530,614
Software-in-Development	55,833	N/A	55,833
Total	\$ 2,824,105	\$ 1,570,539	\$ 1,253,566

Schedule of Property, Equipment, and Software as of September 30, 2012

Major Class	Acquisition Cost	Accumulated Amortization/Depreciation	Net Book Value
Leasehold Improvements	\$ 675,216	\$ 422,010	\$ 253,206
Furniture & Equipment	1,230,518	702,465	528,053
Software	172,721	58,831	113,890
Software-in-Development	28,835	N/A	28,835
Total	\$ 2,107,290	\$ 1,183,306	\$ 923,984

Depreciation expense was \$406,668 and \$419,206 for the year ending September 30, 2013 and 2012, respectively.

NOTE 6. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The liabilities for EAC as of September 30, 2013 and 2012 include liabilities not covered by budgetary resources. Congressional action is needed before budgetary resources can be provided. Although future appropriations to fund these liabilities are likely and anticipated, it is not certain that appropriations will be enacted to fund these liabilities.

	2013	2012
Intragovernmental – FECA	\$ 1,057	\$ 1,057
Unfunded Leave	215,345	220,039
Total Liabilities Not Covered by Budgetary Resources	\$ 216,402	\$ 221,096
Total Liabilities Covered by Budgetary Resources	8,525,521	1,498,665
Total Liabilities	\$ 8,741,923	\$ 1,719,761

FECA liabilities represent the unfunded liability for actual workers compensation claims on EAC’s behalf and payable to the Department of Labor.

Unfunded leave represents a liability for earned leave and is reduced when leave is taken. The balance in the accrued annual leave account is reviewed quarterly and adjusted as needed to accurately reflect the liability at current pay rates and leave balances. Accrued annual leave is paid from future funding sources and, accordingly, is reflected as a liability not covered by budgetary resources. Sick and other leave is expensed as taken.

NOTE 7. OTHER LIABILITIES

Other liabilities account balances as of September 30, 2013 were as follows:

	Current	Non Current	Total
Intragovernmental			
Other Payroll Liabilities	\$ 1,795	\$ -	\$ 1,795
Payroll Taxes Payable	13,754	-	13,754
Total Intragovernmental Other Liabilities	\$ 15,549	\$ -	\$ 15,549
With the Public			
Payroll Taxes Payable	\$ 2,247	\$ -	\$ 2,247
Accrued Funded Payroll and Leave	62,756	-	62,756
Unfunded Leave	215,345	-	215,345
Other Liabilities w/related Budgetary Obligations	7,212,156	-	7,212,156
Total Public Other Liabilities	\$ 7,492,504	\$ -	\$ 7,492,504

Other liabilities account balances as of September 30, 2012 were as follows:

	Current	Non Current	Total
Intragovernmental			
Other Payroll Liabilities	\$ 13,983	\$ -	\$ 13,983
Payroll Taxes Payable	235,144	-	235,144
Total Intragovernmental Other Liabilities	\$ 249,127	\$ -	\$ 249,127
With the Public			
Payroll Taxes Payable	\$ 4,018	\$ -	\$ 4,018
Accrued Funded Payroll and Leave	53,417	-	53,417
Unfunded Leave	220,039	-	220,039
Other Liabilities w/related Budgetary Obligations	598,935	-	598,935
Total Public Other Liabilities	\$ 876,409	\$ -	\$ 876,409

NOTE 8. LEASES

EAC has no capital leases. EAC occupies office space under a lease agreement that is accounted for as an operating lease. The EAC has a lease for the headquarters office located at 1201 New York Avenue, NW, Suite 300 Washington, DC which expires on March 31, 2014. EAC also has a lease for additional space located at 1225 New York Ave, NW, Washington, DC which also expires on March 31, 2014. EAC is entering into a new lease for headquarters office located at 1335 East-West Highway, Silver Spring MD which expires on or around October 1, 2018. Below is a schedule of future payments for the term of the leases.

Scheduled of Future Lease Payments

Fiscal Year	Building	Totals
2014	\$ 338,102	\$ 338,102
2015	230,432	\$ 230,432
2016	232,198	\$ 232,198
2017	234,002	\$ 234,002
2018	235,842	\$ 235,842
Total Future Payments	\$ 1,270,576	\$ 1,270,576

The operating lease amount does not include estimated payments for leases with annual renewal options.

NOTE 9. INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE

Intragovernmental costs and revenue represent exchange transactions between EAC and other federal government entities, and are in contrast to those with non-federal entities (the public).

Such costs and revenue are summarized as follows:

	2013	2012
Communications and Clearinghouse		
Intragovernmental Costs	\$ 103,647	\$ 188,922
Public Costs	558,554	525,072
Total Costs	662,201	713,994
Fund and Oversee		
Intragovernmental Costs	\$ 2,563,166	\$ 2,000,298
Public Costs	13,812,935	5,559,400
Total Costs	16,376,101	7,559,698
Research, Policy, and Programs		
Intragovernmental Costs	\$ 234,097	\$ 499,906
Public Costs	1,261,555	1,389,382
Total Costs	1,495,652	1,889,288
Testing and Certification		
Intragovernmental Costs	\$ 475,761	\$ 910,771
Public Costs	2,563,880	2,531,292
Total Costs	3,039,641	3,442,063
Total Intragovernmental Costs	3,376,671	3,599,897
Total Public Costs	18,196,924	10,005,146
Total Net Cost	\$ 21,573,595	\$ 13,605,043

NOTE 10. BUDGETARY RESOURCE COMPARISONS TO THE BUDGET OF THE UNITED STATES GOVERNMENT

The President’s Budget that will include fiscal year 2013 actual budgetary execution information has not yet been published. The President’s Budget is scheduled for publication in February 2014 and can be found at the OMB Web site: <http://www.whitehouse.gov/omb/>. The 2014 Budget of the United States Government, with the "Actual" column completed for 2012, has been reconciled to the Statement of Budgetary Resources and there were no material differences.

The budget that includes the fiscal year 2012 actual execution information is as follows:

FY2012	Budgetary Resources	Obligations Incurred	Net Outlays
Statement of Budgetary Resources	\$20,828,339	\$ 9,153,251	\$12,750,338
Spending Authority from Offsetting			
Collections	(616,423)		
Unobligated Balance Not Available	(8,493,852)		
Rounding	1,281,936	(\$153,251)	249,662
Budget of the U.S. Government	\$13,000,000	\$9,000,000	\$13,000,000

NOTE 11. APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED

Obligations incurred and reported in the Statement of Budgetary Resources in 2013 and 2012 consisted of the following:

	2013	2012
Direct Obligations, Category B	8,066,216	9,453,024
Total Obligations Incurred	\$ 8,066,216	\$ 9,453,024

Category B apportionments typically distribute budgetary resources by activities, projects, objects or a combination of these categories.

NOTE 12. UNDELIVERED ORDERS AT THE END OF THE PERIOD

For the fiscal years ended September 30, 2013 and 2012, budgetary resources obligated for undelivered orders amounted to \$10,867,320 and \$25,732,269, respectively.

NOTE 13. RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

EAC has reconciled its budgetary obligations and non-budgetary resources available to its net cost of operations:

	2013	2012
Resources Used to Finance Activities		
Budgetary Resources Obligated		
Obligations Incurred	\$ 8,066,216	\$ 9,453,024
Spending Authority from Offsetting Collections and Recoveries	(1,185,035)	(2,935,970)
Obligations Net of Offsetting Collections and Recoveries	6,881,181	6,517,054
Other Resources		
Imputed Financing from Costs Absorbed by Others	180,376	231,849
Other Resources		(93)
Net Other Resources Used to Finance Activities	180,376	231,756
Total Resources Used to Finance Activities	7,061,557	6,748,810
Total Resources Used to Finance Items Not Part of the Net		
Cost of Operations	14,105,370	6,437,027
Total Resources Used to Finance the Net Cost of Operations	21,166,927	13,185,837
Generate Resources in the Current Period	406,668	419,206
Net Cost of Operations	\$21,573,595	\$13,605,043

NOTE 14. REQUIREMENTS PAYMENTS AND GRANT PROGRAMS

The EAC Requirements Payments and Grant programs are funded through annual appropriations. The largest of the grant programs is the Help American Vote Act (HAVA) Section 251 Requirements Payments to the states to help them meet the Title III requirements of HAVA. The EAC periodically receives additional grant money to fund grant programs such as Research of Voting Technology Improvements, College Poll Worker and Mock Election grants.

	2013	2012
FY 2008 Section 251 Requirement Payments	\$ -	\$ 575,000
FY 2009 Section 251 Requirement Payments	-	500,000
FY 2010 Section 251 Requirement Payments	4,292,871	2,464,199
FY2011 Section 251 Requirement Payments	221,853	435,808
FY 2008 Data Collection Grants	-	-
Military Heroes Grant	-	220,507
College Poll Worker Grants	53,377	126,554
Accessible Voting Technology	2,809,602	1,409,969
Logic and Accuracy Grant Program	485,600	275,040
Mock Election Grants	17,118	13,555
Net Cost of Operations	\$ 7,880,421	\$ 6,020,632

NOTE 15. RESTATEMENTS

During the fourth quarter of FY12 the EAC converted accounting service providers from the General Service Administration (GSA) to the Bureau of Public Debt (BPD), currently DBA as the Bureau of Fiscal Service (BFS). While entering the conversion general ledger data and supporting

the FY11/FY12 financial statement audit, 3 significant reporting areas were identified which require the need to restate the FY 12 Financial Statements. The areas identified were as follows:(1) Abnormal undelivered order balances in the general ledger which resulted in the FY12 UDO balances being overstated, (2) Conversion misclassification of all accounts payable (AP) and AP accruals as payables resulting in an overstatement of liabilities, and (3) insufficient grant accrual procedures resulting in an understatement of grant expenses.

During the EAC accounting data conversion, BFS was unable to obtain reconciling support for the undelivered order (UDO) balances which resulted in abnormal balances being entered by conversion journal vouchers (JVs) into the general ledger. Subsequently, BFS obtained the UDO obligating documents from the EAC which EAC reviewed and confirmed the open UDO balances. BFS then entered the open UDO balances into the accounting system module.

While the normal conversion process should have been to prepare and enter JVs to remove the abnormal conversion UDO balances and leave the supported module UDO balances, BFS erroneously prepared JVs that reversed module UDO balances resulting in the FY12 financial statement UDO balances being overstated. Once the error was identified, BFS prepared correcting journal vouchers, approved by the EAC which reversed the erroneous JVs, as well as, the abnormal conversion balances. The correcting JVs ultimately reestablished the valid and supported module UDO balances. This error resulted in an overstatement of undelivered order balances which is reflected by line item below as well as the impact to the financial statements as a whole.

BFS analyzed the accounts payable (AP) conversion data and determined the AP accruals were misclassified by BFS as accounts payables. BFS subsequently reviewed the conversion data mapping to determine the accounts payable misclassification error. BFS prepared journal vouchers, approved by the EAC, to properly reflect the accounting of the misclassified accounts payable accrual amounts. The misclassification resulted in an overstatement of liabilities. The misclassification error resulted in an overstatement of liabilities which is reflected by line item below as well as the impact to the financial statements as a whole.

During review of the above items, EAC and BFS also noticed to small errors that were also corrected as part of these entries. There was a small error in the statement of an advance on the books (\$558), which resulted in the restatement of the Assets, Other line. There was also an error in the classification of an asset, which resulted in the restatement of the Property, Plant & Equipment line by \$15,555.

The 2012 Statements are the only statements requiring a restatement. All errors occurred during the FY 2012 conversion to the new service provider. There were no errors correct on previous statements. The restatements impact the Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, and the Statement of Budgetary Resources. The errors related to obligations and accruals were a result of data conversion errors from one service provider to another. Because of the nature of these errors, we do not feel there is a high risk of these types of errors occurring again. Review processes have been put in place to validate both the open obligations and the accruals amounts at each reporting cycle.

See chart below for overview of the restatement:

Election Assistance Commission

Financial Statement	Adjustment Lines	Reported Amount	Adjustment Amount	Restatement Amount	Explanation for Adjustment
Balance Sheet	Property, Equipment and Software	\$ 939,539.00	\$ (15,555.00)	\$ 923,984.00	Asset placed in service date incorrect. Increased Depreciation
Balance Sheet	Assets, Public, Other	\$ 1,093.00	\$ 558.00	\$ 1,651.00	Advance previously understated
Balance Sheet	Total Assets	\$ 40,108,519.00	\$ (14,996.00)	\$ 40,093,523.00	Cumulative of both errors listed
Balance Sheet	Liabilities, Intragovernmental, Accounts Payable	\$ 587,024.00	\$ (51,960.00)	\$ 535,064.00	Conversion error, overstated accruals as accounts payable, failed to reverse accruals, and grant accrual
Balance Sheet	Liabilities, Public, Accounts Payable	\$ 560,807.00	\$ (501,646.00)	\$ 59,161.00	Conversion error, overstated accruals as accounts payable, failed to reverse accruals, and grant accrual
Balance Sheet	Liabilities, Other	\$ 775,965.00	\$ 100,444.00	\$ 876,409.00	Grant error misstatements
Balance Sheet	Total Liabilities	\$ 2,172,923.00	\$ (453,162.00)	\$ 1,719,761.00	Cumulative of both errors listed
Balance Sheet	Unexpended Appropriations	\$ 37,214,571.00	\$ 453,721.00	\$ 37,668,292.00	Cumulative of accrual error, grant error and advance misstatement
Balance Sheet	Cumulative Results of Operations	\$ 721,025.00	\$ (15,555.00)	\$ 705,470.00	incorrect. Increased Depreciation amount for the asset
Statement of Net	Net Cost of Operations	\$ 14,043,208.00	\$ (438,165.00)	\$ 13,605,043.00	Cumulative of accrual error, advance misstatement and asset depreciation

Financial Statement	Adjustment Lines	Previously Reported Amount	Adjustment Amount	Restatement Amount	Explanation for Adjustment
Statement of Changes in Net Position	Appropriations Used	\$ 13,483,885.00	\$ (453,720.00)	\$ 13,030,165.00	Cumulative of accrual error, grant error and advance misstatement
Statement of Changes in Net Position	Net Cost of Operations	\$ 14,043,208.00	\$ (438,165.00)	\$ 13,605,043.00	Cumulative of accrual error, grant error advance misstatement and asset depreciation
Statement of Changes in Net Position	Net Change	\$ 327,474.00	\$ 15,555.00	\$ 343,029.00	Asset placed in service date incorrect. Increased Depreciation amount for the asset
Statement of Changes in Net Position	Cumulative Results of Operations	\$ 721,025.00	\$ (15,555.00)	\$ 705,470.00	Asset placed in service date incorrect. Increased Depreciation amount for the asset
Statement of Changes in Net Position	Appropriations Used	\$ 13,483,885.00	\$ (453,720.00)	\$ 13,030,165.00	Cumulative of accrual error, grant error and advance misstatement
Statement of Changes in Net Position	Total Budgetary Financing Sources	\$ 7,435,642.00	\$ (453,721.00)	\$ 6,981,921.00	Cumulative of accrual error, grant error and advance misstatement
Statement of Changes in Net Position	Unexpended Appropriations	\$ 37,214,571.00	\$ 453,721.00	\$ 37,668,292.00	Cumulative of accrual error, grant error and advance misstatement
Statement of Changes in Net Position	Net Position	\$ 37,935,596.00	\$ 438,166.00	\$ 38,373,762.00	Cumulative of accrual error, grant error advance misstatement and asset depreciation

Financial Statement	Adjustment Lines	Previously Reported Amount	Adjustment Amount	Restatement Amount	Explanation for Adjustment
Statement of Budgetary Resources	Recoveries of Prior Year Unpaid Obligations	\$ 1,738,635.00	\$ 561,357.00	\$ 2,299,992.00	Conversion error for Obligations misstated at change in service provider
Statement of Budgetary Resources	Spending Authority from Offsetting Collections	\$ 616,423.00	\$ 19,555.00	\$ 635,978.00	Conversion error for Obligations misstated or classified in error at change in service provider
Statement of Budgetary Resources	Total Budgetary Resources	\$ 20,829,339.00	\$ 579,912.00	\$ 21,409,251.00	Cumulative of Obligation misstatements
Statement of Budgetary Resources	Obligations Incurred	\$ 9,153,251.00	\$ 299,773.00	\$ 9,453,024.00	Conversion error for Obligations misstated at change in service provider
Statement of Budgetary Resources	Unpaid Obligations, End of Year (Gross	\$ 26,795,841.00	\$ (261,139.00)	\$ 26,534,702.00	Cumulative of Obligation misstatements
Statement of Budgetary Resources	Obligated Balance, End of Year	\$ 26,775,841.00	\$ (281,139.00)	\$ 26,494,702.00	Cumulative of Obligation misstatements
Statement of Budgetary Resources	Budget Authority, Gross	\$ 9,366,423.00	\$ 19,555.00	\$ 9,385,978.00	Conversion error for Obligations misstated at change in service provider
Statement of Budgetary Resources	Actual Offsetting Collections	\$ (596,423.00)	\$ (19,555.00)	\$ (615,978.00)	Conversion error for Obligations misstated at change in service provider

II.F. REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION (UNAUDITED)**Non-Federal Physical Property**

Stewardship investments are substantial investments made by the Federal Government for the benefit of the nation but are not physical assets owned by the Federal Government. When incurred, they are treated as expenses in determining the net cost of operations. However, these items merit special treatment so that users of Federal financial reports know the extent of investments that are made for long-term benefit. Such investments are measured in terms of expenses incurred for non-Federal physical property, human capital, and research and development. In October 2002, Congress passed the Help America Vote Act (HAVA). The law recognized the need for States to invest in their election infrastructure. A major provision of HAVA, Title III *Uniform and Nondiscriminatory Election Technology and Administration Requirements*, sets forth requirements for each voting system used in an election for Federal office.

	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013
Section 102 Funds	\$ 19,905,709	\$ 36,838,905	\$ (163,130)	\$ 90,122	\$ 137,401
Section 251 Funds	262,018,224	143,247,989	104,356,159	108,572,160	24,818,183
Data Collection Grants	447,650	167	(235)	130	198
Total	\$282,371,583	\$180,087,061	\$104,192,794	\$108,662,412	\$24,955,783

Section 102 Funds. Section 102 funds were disbursed to States for the primary purpose of replacing punch card or lever voting machines. As such, Section 102 funds have been used to purchase physical property. These funds will be converted to Section 251 requirements payments and redistributed to the states.

Section 251 Funds. Section 251 requirements payments are to be used only to meet the requirements of Title III *Uniform and Nondiscriminatory Election Technology and Administration Requirements*. As such, Requirements Payments have been used in part to purchase physical property but also to provide funds to States to carry out other activities to improve administration of elections.

Data Collection Grants. In Fiscal Year 2008, EAC awarded \$10.0 million in Election Data Collection Grants to five States. These funds were to be used to improve the collection of precinct-level data relating to the November 2008 elections. Based on budgetary information supplied by each State, Federal physical property purchased with these funds is presented above.

Research and Development

The EAC has three research and development initiatives. These initiatives provide funds to support the search for new or improved election voting technology that increases the accessibility

and accuracy of voting for all citizens. Costs incurred on these initiatives are included in the calculation of net costs.

Initiative	Fiscal Year 2013
Military Heroes	\$ 0
Accessible Voting Disability Technology	3,749,105
Logic and Accuracy	275,040
Total	\$4,024,145

Military Heroes Initiative

The U.S. Election Assistance Commission has made available up to \$500,000 in funds for a two-year grant focused on research to improve voting technology and processes for recently injured military personnel. The purpose of this grant is to enable better understanding of the needs of injured military personnel in major hospital, recovery and rehabilitation facilities related to election processes, including; 1) documentation of current practices associated with voting activities at these facilities; 2) identification of barriers that may prevent this population from voting privately and independently; and 3) reviews and assessments of new and innovative technologies for assisting military personnel’s ability to participate in the electoral process.

Accessible Voting Disability Technology Initiative

The U.S. Election Assistance Commission has made available up to \$7,000,000 in grant funds for a three-year grant to fund research to identify and develop technological and administrative solutions that help ensure all citizens can vote privately and independently, a requirement of the Help America Vote Act (HAVA) of 2002 (42 U.S.C. §15441). This initiative will support research and development activities to increase the accessibility of new, existing, and emerging technological solutions in such areas as assistive technologies, interoperability, and design of voting systems.

Pre-Election Logic and Accuracy and Post-Election Audit Initiative

The U.S. Election Assistance Commission has awarded \$1.4 million in grant funds to develop and document processes and best practices for coordinating quality and cost-effective A) voting system pre-election logic and accuracy testing (L&A) and B) post-election audits. Funds will support the research, development, documentation, and dissemination of a range of procedures and processes used in managing and conducting high-quality L&A testing and post-election audit activities by type of voting method, vendor-specific equipment, jurisdiction size, or other ways. An additional \$1.5 million will be available to state and local entities that currently lack adequate funding or capacity for conducting pre-election logic and accuracy testing and post-election audits to support the implementation of pilot programs funded under this funding notice.

SECTION III

Other Accompanying Information

III.A. MOST SERIOUS MANAGEMENT CHALLENGES FACING EAC ACCORDING TO THE INSPECTOR GENERAL



U.S. ELECTION ASSISTANCE COMMISSION
Office of Inspector General

November 15, 2013

Memorandum

To: Alice Miller
Acting Executive Director

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

Subject: Inspector General's Statement Summarizing the Major Management and Performance Challenges Facing the U.S. Election Assistance Commission

In accordance with the Reports Consolidation Act of 2000, I am submitting our annual statement summarizing what the Office of Inspector General considers to be the most serious management and performance challenges facing the U.S. Election Assistance Commission (EAC). We have compiled this list based upon our audit, inspection and evaluation work; general knowledge of the agency's operations; and the reports of others such as the Government Accountability Office.

This year's management challenges fall into two categories: (1) performance management and accountability and (2) records management. We have noted the progress that EAC has made on each of the challenges identified.

If you have any questions or need additional information, please call me at (301) 734 3104.

Attachment



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

**U.S. ELECTION ASSISTANCE COMMISSION
MANAGEMENT AND PERFORMANCE CHALLENGES**

Introduction

The Reports Consolidation Act of 2000 requires the Office of Inspector General (OIG) to report annually on what it considers to be the most serious management and performance challenges facing the U.S. Election Assistance Commission (EAC). Management challenges are derived from cross-cutting issues that arise during our regular audit, evaluation and investigatory work. They are also influenced by our general knowledge of the agency’s operations and the works of other evaluative bodies such as the Government Accountability Office (GAO).

For fiscal year (FY) 2013, the OIG is reporting on two management and performance challenges facing the EAC. Each of these management challenges have been reported in prior years:

- Performance Management and Accountability
- Records Management

The OIG has assessed the EAC’s progress with regard to the four previously issued challenges. Based upon reports provided by the EAC, the OIG deems that remedial measures have been taken to resolve one of the three management challenges, specifically the challenge involving human capital management. The OIG will continue to review and monitor the challenges performance management and accountability, human capital management and records management to determine whether steps have been taken to improve the agency’s operations in these areas.

CHALLENGE 1: PERFORMANCE MANAGEMENT AND ACCOUNTABILITY

In fiscal year 2008, the OIG issued the following management challenge:

Effective management and accountability are integral to any operation and must start with senior management. At the EAC, senior management consists of four full-time commissioners and an executive director. However, confusion over the roles and responsibilities of the commissioners and the executive director has resulted in a lack



**U.S. ELECTION ASSISTANCE COMMISSION
MANAGEMENT AND PERFORMANCE CHALLENGES**

of leadership, a failure to hold people accountable, and a decline in staff morale. EAC has recently delineated the roles and responsibilities of the commissioners and the executive director.

In February of 2008, the OIG issued a report that identified long-standing and overarching weaknesses related to the operations of the EAC that need to be addressed immediately. The assessment disclosed that the EAC needs to establish:

- Short and long-term strategic plans, performance goals and measurements to guide the organization and staff.
- An organizational structure that clearly defines areas of responsibility and an effective hierarchy for reporting.
- Appropriate and effective internal controls based on risk assessments.
- Policies and procedures in all program areas to document governance and accountability structure and practices in place. It is imperative that the Commissioners define their roles and responsibilities in relationship to the daily operations of the EAC and to assume the appropriate leadership role.

EAC's Progress

EAC has made progress toward the development of a strategic direction for the agency as well as the implementing policies and procedures that flow from the strategic plan.

The EAC has developed draft policies and procedures for its clearinghouse and communications division and is in the process of developing policies and procedures to comply with the National Voter Registration Act (NVRA). However, since December 2010 the EAC has not had a quorum of Commissioners, which has resulted in a delay in adopting new policies or procedures.

The Commissioners have the exclusive authority to determine Commission policy, defined as a "high-level determination, setting an overall agency goal/objective or otherwise setting rules, guidance or guidelines at the highest level." Due to a lack of a quorum, the Commission is unable to hold formal public meetings; adopt new policy; issue formal advisory opinions; accredit EAC Voting System Test Laboratories; act on appeals of (1) audit findings and recommendations, and (2) voting system certification denials or revocations; and modify or update the Voluntary Voting System Guidelines, NVRA regulations and presently existing NVRA registration form.



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CHALLENGE 2: RECORDS MANAGEMENT

In FY 2010, the OIG issued the following management challenge:

Maintaining complete and accurate records of the operations, policy, procedure and practice of an agency are critical to the effective operation of the agency. Without these records, the agency cannot retain an institutional knowledge. The EAC, like many other federal government agencies, has seen turn over in its staff and leaders. Since its inception, the EAC has had seven Commissioners. Likewise, program directors have come and gone. Furthermore, retention of government records is mandated by federal law.

The EAC does not have an approved records retention schedule. Similarly, there are no procedures for management and retention of records being uniformly implemented at the EAC.

The OIG first noted the EAC's lack of a records management system in 2008, when it issued the Assessment of EAC's Program and Financial Operations. Since that time, the OIG has conducted several audits and evaluations of EAC and its programs that have revealed a continuing problem with maintaining records. Most recently, in 2010, the OIG audited a grant distributed by the EAC. EAC staff was unable to locate the file related to that grant. Furthermore, even after repeated requests for records related the grant, the EAC failed to provide even a single email from the previous grants director under whose administration the grant was awarded. The EAC disbursed payment on that grant without records of whether and to what extent the grantee had performed services commensurate with the grant proposal and award.

The continued failure to adopt and implement an approved system for records retention at the very least leaves the EAC vulnerable to suit by information requesters and at worst susceptible to waste, fraud, or abuse of its resources and the intentional destruction of government records in violation of federal law. The EAC must take immediate steps to adopt a records management system, obtain approval of that system from the National Archives and Records Administration, and train its staff on the proper retention of federal government records.



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MANAGEMENT AND PERFORMANCE CHALLENGES**

EAC's Progress


The EAC continues to make good progress in addressing this management challenge. The proposed records retention schedules for the Chief Operating Officer, the Office of Human Resources, Procurement and the Chief Information Officer have been prepared and are ready to be submitted for approval. The records retention schedules for Testing and Certification and the Commissioners have been submitted for approval. The OIG records retention schedule has been approved.

**III.B. EAC'S RESPONSE TO THE MOST SERIOUS MANAGEMENT CHALLENGES
FACING EAC ACCORDING TO THE INSPECTOR GENERAL**



U.S. Election Assistance Commission
1335 East-West Highway, Suite 4-100
Silver Spring, MD 20910
www.eac.gov

To: Curtis W. Crider
Inspector General

From: Alice Miller 
Chief Operating Officer and Acting Executive Director

Date: November 27, 2013

Subject: Election Assistance Commission Response to the Inspector General's Statement
Summarizing the Major Management and Performance Challenges Facing the U.S.
Election Assistance Commission

The Election Assistance Commission (EAC) concurs with your statement dated November 15, 2013 that in the area of performance management and accountability, there are two outstanding items to resolve. As you noted, the outstanding policies, including the Communications and Clearinghouse handbook and National Voter Registration Act policy and procedures, are drafted and ready for adoption by a quorum of Commissioners which the agency does not have at this time.

The second outstanding major challenge is a records retention schedule for EAC. Three of the thirteen agency schedules are completed (Inspector General, Human Resources, and Chief Financial Officer). Two schedules have been submitted for approval (Voting System Testing & Certification and Commissioners), and two have been prepared and are ready to be submitted for approval (Chief Operating Officer and Chief Information Officer). We plan on submitting the remaining schedules in FY 2014.

III.C. IMPROPER PAYMENTS

The Improper Payments Act requires each Federal agency to assess all programs and identify which, if any, may be subject to high risk with respect to improper payments. For fiscal year 2013 EAC does not believe that it has any programs where the erroneous payments could exceed 2.5 percent of program payments or \$10.0 million threshold (set in OMB Guidance) to trigger further agency action.

III.D. SUMMARY OF FINANCIAL STATEMENT AUDIT AND MANAGEMENT ASSURANCES

SUMMARY OF FISCAL YEAR 2013 FINANCIAL STATEMENT AUDIT						
Audit Opinion		Disclaimer				
Restatement		FY 2012				
Material Weaknesses		Beginning Balance	New	Resolved	Consolidated	Ending Balance
Financial Accounting & Reporting		2	2	0	0	4
Total Material Weaknesses		2	2	0	0	4
Summary of Management Assurances						
Statement of Assurance (FMFIA § 2)		Qualified				
No.	Summary	Beginning Balance	New	Resolved	Consolidated	Ending Balance
1	Material Weaknesses (FMFIA § 2)	1	0	0	0	1
	Total	1	0	0	0	1

