

**UNITED STATES
ELECTION ASSISTANCE
COMMISSION
OFFICE OF INSPECTOR GENERAL**



***Semiannual Report to Congress
For the Period:
April 1, 2017 through September 30, 2017***



U.S. ELECTION ASSISTANCE COMMISSION
1335 EAST-WEST HIGHWAY, SUITE 4300
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OFFICE OF THE INSPECTOR GENERAL

November 9, 2017

Matthew Masterson, Chairman
U.S. Election Assistance Commission

The Inspector General Act of 1978 (Public Law 95-452), as amended, calls for the preparation of semiannual reports to the Congress summarizing the activities of the Office of Inspector General (OIG) for the six-month periods ended March 31 and September 30 each year. I am pleased to enclose the report for the period from April 1 to September 30, 2017. The Act requires that you transmit the report to the appropriate committees of the Congress within 30 days of receipt, together with any comments you may wish to make and other information as required by the IG Act.

For the last few years, the OIG has accomplished its mission by contracting for audits with independent public accounting firms and buying services from other Federal agencies. Contracted audits completed during the most recent six-month period covered audits of Help America Vote Act (HAVA) funds in the states or territories of Mississippi, Vermont, South Dakota, Puerto Rico, Maryland, and New Hampshire. In addition, during the period covered by this report, the EAC OIG contracted with the OIG of the U.S. Postal Service to conduct a performance audit of EAC's controls over its decision-making processes, which the OIG also completed during the period.

During the six months ended September 30, the OIG also initiated audits of the EAC's 2017 financial statements and its compliance with the Federal Information Security Modernization Act (FISMA). The office also began the audit required by the Digital Accountability and Transparency Act of 2014, commonly known as the DATA Act.

I look forward to continuing to work with the Commissioners and employees of the Election Assistance Commission to improve Commission programs and operations.

Sincerely,

A handwritten signature in blue ink that reads "Patricia L. Layfield". The signature is written in a cursive style.

Patricia L. Layfield
Inspector General

cc: Commissioner Thomas Hicks, Vice-Chair
Commissioner Christy A. McCormick
Brian Newby, Executive Director
Cliff Tatum, General Counsel
Brenda Bowser Soder, Director of Communications and Public Affairs

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Election Assistance Commission Profile

Congress established the U.S. Election Assistance Commission (EAC or Commission) through the passage of HAVA. EAC is an independent, bipartisan commission that serves as a national clearinghouse and resource for the compilation of information and review of procedures for the administration of Federal elections. The President appoints and the Senate approves the four commissioners authorized by HAVA. Commissioners serve four-year terms. EAC currently has three commissioners.

EAC's principal duties include maintaining a national clearinghouse of information on election administration; testing and certifying, decertifying, and recertifying voting systems; adopting voluntary voting system guidelines; and administering grants authorized by HAVA. EAC has distributed over \$3 billion in grants to the 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, Guam and American Samoa (hereinafter referred to as "states"). States have used the funds to purchase voting equipment, establish statewide voter registration lists, implement provisional voting, educate voters, train officials and poll workers, improve polling places, and recruit poll workers.

Office of Inspector General Profile

HAVA required the appointment of an inspector general for the EAC and amended the Inspector General Act (IG Act) of 1978 (5 U.S.C.A. App. 3) to identify the EAC as a Designated Federal Entity (DFE). EAC appointed its Inspector General in 2006. The OIG currently consists of one employee, the Inspector General. The first Inspector General retired as of September 2015 and the Commission appointed the current Inspector General in February 2016.

Despite its small size, the OIG performs all of the duties required of the inspector general under the IG Act, including:

- Conducting and supervising audits, investigations, and other services (e.g., evaluations) relating to the programs and operations of the EAC;
- Providing leadership and coordination and recommending actions to management to promote economy, efficiency, and effectiveness in agency programs and operations and prevent and detect fraud, waste, abuse, and mismanagement of government resources; and
- Keeping the Commission, management, and Congress fully informed regarding problems and deficiencies, and the progress of corrective actions.
- Investigating allegations of waste, fraud, abuse and mismanagement in EAC programs and operations, including operation of a hotline to receive complaints regarding EAC, its programs, and its funding recipients.

Audits, Inspections, and Evaluations

During the six months ended September 30, 2017, the OIG issued one audit of internal EAC operations, six audits of the use of HAVA funds in the states or territories, and commenced three additional internal audits.

Administration of Payments States Received Under HAVA

EAC distributed HAVA funds to states to improve the administration of Federal elections by purchasing new equipment, establishing and operating statewide voter lists, implementing provisional voting, and verifying the identity of persons who wish to register to vote. The OIG conducts audits of the states' use of HAVA funds. Through the audits, the OIG examines whether:

- the recipient used HAVA funds in accordance with HAVA and other applicable Federal requirements;
- the recipient properly accounted for purchases made with HAVA funds and any income derived from those purchases;
- grant funding was maintained and accounted for in keeping with HAVA; and
- the recipient provided sufficient matching funds and maintained Federal monies in a separate, interest-bearing election fund.

The OIG issued audits of six states' HAVA funds during this period, to include audits of Mississippi, Vermont, South Dakota, Puerto Rico, Maryland, and New Hampshire. The OIG contracted with the public accounting firm of McBride, Lock & Associates, LLC, to conduct these HAVA funds audits in accordance with *Government Auditing Standards*. A summary of the results of the audits are set forth below¹. Except for the audit of the Maryland State Board of Elections, the audits were the first audits of the states' use of HAVA funds and covered the period from the start of each state's HAVA grants in 2003 through September 30, 2015. The OIG referred each of the audit reports to EAC's Audit Follow-up Official for resolution of recommendations and questioned costs.

Mississippi Secretary of State

In the audit of the Mississippi Secretary of State's Office (MSSOS), the auditors concluded that the MSSOS generally accounted for and expended the Grant funds in accordance with financial management requirements. However, the auditors reported that the MSSOS did not adequately support all salaries and wages charged to the grant award, did not provide adequate documentation to support allowability of certain expenditures, and expended HAVA funds for purposes that were not allowable under the award's terms and conditions or HAVA regulations. The auditors questioned \$8,911 in unsupported payroll costs, \$134,211 in other unsupported costs and \$66,878 in

¹ Complete copies of the final reports are available on the EAC OIG website at [EAC OIG HAVA Funds Audits](#) or at Oversight.gov ([Oversight.gov link](#)).

unallowable costs. In its response, the MSSOS indicated that the State's costs incurred since the questioned salaries and wages were incurred would be sufficient to offset any unallowable payroll costs. The MSSOS also provided a response for each of the other unsupported costs that argued the allowability of the costs or incurrence of subsequent costs to offset the questioned amounts. With regard to the unallowable costs, MSSOS provided additional information regarding the allowability of certain of the items and indicated that additional costs, other than those claimed were incurred that would otherwise qualify as allowable costs for the grant and offset any remaining unallowable amounts.

- o Period covered: April 10, 2003, through September 30, 2015
- o HAVA funds audited, including State Match and Program Income: \$34,757,319
- o Total HAVA funds disbursed as of September 30, 2015: \$34,757,319
- o Total questioned costs: \$210,000

New Hampshire Secretary of State

The auditors concluded that the New Hampshire Office of the Secretary of State (NHSOS) accounted for and expended the HAVA funds in accordance with financial management requirements except for four conditions they found. The auditors found that the NHSOS lacked complete, documented policies with respect to internal controls. They also reported that the NHSOS' equipment management was inadequate in regards to the maintenance of property, specifically for recording details about specific equipment, such as: acquisition date, cost of property, location of equipment, percentage of federal participation, ultimate disposition, and records and the performance of a physical observation of inventory. The report took issue with the NHSOS' purchase of a building without prior approval from EAC, which resulted in \$1 million in questioned costs. Finally, the auditors found four instance of inadequate support for salaries and wages, which resulted in an additional \$2,446 in questioned costs.

The NHSOS generally disagreed with the findings and conclusions in the report. From the beginning of its receipt of payments of HAVA funds, the NHSOS has contended that the funds paid first by the General Services Administration (GSA) and then by EAC were not grants and were not subject to requirements applicable to grants set forth in Circulars issued by the Office of Management and Budget (OMB). The NHSOS response, included in full in the final report available on the EAC OIG website and at Oversight.gov, explained the State's position and the basis for that position in detail.

The OIG disagrees with the NHSOS position and stands by its application of OMB guidance in determining requirements applicable to the HAVA funds during the audit. The Government Accountability Office (GAO) opined in Comptroller's Decision B-328615 that "Payments made to states under the Help America Vote Act of 2002 (HAVA) are grants." The OMB Circulars and the GSA Common Rule define their own applicability and the EAC OIG continues to believe that those definitions fit the grants awarded to the NHSOS.

- o Period covered: May 1, 2003, through September 30, 2015

- o HAVA funds audited, including State Match and Program Income: \$22,015,978
- o Total HAVA funds disbursed as of September 30, 2015: \$11,396,271
- o Total questioned costs: \$1,002,446

Vermont Secretary of State

The Vermont Secretary of State's office (VSOS) generally accounted for and expended grant funds in accordance with financial management requirements except for the findings discussed in this paragraph. The VSOS allocated indirect costs on a base other than the base indicated by the approved indirect cost agreement, resulting in questioned costs of \$155,802. In addition, the VSOS was not able to provide support for the baseline maintenance of expenditure² calculation. The auditors reported that VSOS did not adequately support \$70,346 salaries and wages charged to the grant award and questioned costs in that amount. The VSOS did not maintain equipment records with all required information and could not demonstrate they had performed a biennial physical observation of inventory. VSOS also did not provide documentation of a competitive bidding process for the procurement of equipment. The Office expended \$54,112 of HAVA funds for purposes that are not allowable under the award's terms and conditions or HAVA regulations. In addition, the VSOS did not provide adequate documentation to support allowability for certain expenditures. VSOS generally agreed with the findings and recommendations, except for the finding concerning inadequate support for salaries and wages and \$42,112 of the unallowable costs.

- o Period covered: April 15, 2003, through September 30, 2015
- o HAVA funds audited, including State Match and Program Income: \$21,224,232
- o Total HAVA funds disbursed as of September 30, 2015: \$11,334,647
- o Total questioned costs: \$312,559

South Dakota Secretary of State

The auditors concluded that the South Dakota Secretary of State (SDSOS) generally accounted for and expended grant funds in accordance with financial management requirements except as noted in this paragraph. The SDSOS did not have established policies and procedures addressing financial management activities including grant administration, program income and Federal financial reporting. The SDSOS submitted financial reports that were not supported by underlying accounting records. The Office did not adequately support all salaries and wages charged to the grant award, resulting in questioned costs of \$10,855. The Office's equipment management was inadequate in regards to the maintenance of property records and the performance of a physical observation of inventory. The auditors noted expenditure of \$1,474 of HAVA funds for purposes that were not allowable under the award's terms and conditions or

² To be eligible for certain HAVA funds, states were required to submit a state plan that included, among other things, "How the State, in using the requirements payment, will maintain the expenditures of the State for activities funded by the payment at a level that is not less than the level of such expenditures maintained by the State for the fiscal year ending prior to November 2000." That provision of the law is commonly known as the maintenance of expenditure, maintenance of effort, or MOE provision.

HAVA regulations. The SDSOS also did not adequately monitor subawardees. Total questioned costs amounted to \$12,329.

The SDSOS reported that the Office had adopted written policies and procedures to address the recommendation in the first finding. They committed to working with the EAC with regard to their Federal financial reports. The SDSOS believed they had provided sufficient documentation to support all but \$394 of the questioned salaries and wages. During the audit, the SDSOS took corrective action with regard to the equipment management by documenting policies and procedures and conducting a physical inventory of the equipment in conjunction with the counties. The SDSOS agreed to reimburse the State's HAVA fund for the expenditure of \$1,474 for unallowable costs. The auditors did not apply audit procedures to the corrective actions that the SDSOS took, so EAC will need to make a final management decision on the sufficiency and appropriateness of the SDSOS' corrective actions and resolving the remaining outstanding recommendations.

- o Period covered: April 10, 2003, through September 30, 2015
- o HAVA funds audited, including State Match and Program Income: \$23,091,703
- o Total HAVA funds disbursed as of audit date: \$13,505,975
- o Total questioned costs: \$12,329

Puerto Rico State Elections Commission (Comision Estatal de Elecciones)

The auditors concluded that the Puerto Rico State Elections Commission (CEE) generally accounted for and expended the EAC grant funds in accordance with financial management requirements; however, the auditors also identified some exceptions. CEE did not have established policies and procedures addressing financial management activities, including federal financial reporting, equipment management, and maintenance of expenditures. The auditors also found CEE's equipment management to be inadequate in regards to the maintenance of property records and the performance of a physical observation of inventory. The Office's untimely crediting of matching funds to the Elections Fund resulted in lost interest earnings to the fund, which the auditors recommended should be reimbursed to the State election fund. However, the amount of additional funds to be deposited (which are considered funds put to better use) could not be calculated with the information available during the audit. The auditors also found that CEE submitted financial reports that were not supported by underlying accounting records and could not provide support for the baseline maintenance of expenditure calculation. CEE also did not provide adequate documentation to support the allowability of one expenditure, resulting in questioned costs of \$54,000. Finally, the auditors noted an expenditure of \$83,306 of HAVA funds for purposes that are not allowable under the award's terms and conditions or HAVA regulations.

CEE generally agreed with the findings and recommendations and committed to working with EAC management to resolve the issues. On October 26, 2017, OMB's Office of Federal Financial Management issued a memorandum concerning administrative relief for grantees impacted by hurricanes Harvey, Irma, and Maria. EAC management is looking closely at the OMB memorandum to determine how flexibilities

in the management of assistance awards provided by the memorandum may affect the resolution of the audit findings and recommendations.

- o Period covered: April 10, 2003, through September 30, 2015
- o HAVA funds audited, including State Match and Program Income: \$9,862,222
- o Total HAVA funds disbursed as of audit date: \$5,002,599
- o Total questioned costs: \$137,306

Maryland State Board of Elections

The OIG had conducted an audit of Maryland's use of HAVA funds as of 2005, so the scope of this audit included only the years since the period covered by the prior audit. The auditors concluded that, with the exception of matters described below, accounted for and expended the HAVA funds in accordance with financial management requirements for the period from January 1, 2006, through September 30, 2015. The Maryland State Board of Elections (MDBOE) did not have established policies and procedures affecting financial management activities including equipment management, Federal financial reporting and Federal grant oversight and administration. The MDBOE submitted financial reports for Section 101, Section 102 and Section 251 funds that could not be supported by underlying accounting records. The Board did not maintain adequate property records or provide adequate documentation to support allowability of certain expenditures, resulting in questioned costs of \$ 14,352,212 in unsupported non-payroll costs and \$27,119 in unsupported payroll costs. The Board did not meet the maintenance-of-expenditure requirement during fiscal year 2006. The MDBOE generally agreed with the auditor's findings and recommendations and provided additional information to explain the conditions.

- o Period covered by current audit: January 1, 2006, through September 30, 2015
- o HAVA funds covered in the prior audit as of December 31, 2005: \$44,544,631
- o HAVA funds currently audited, including State Match and Program Income: \$5,184,726
- o HAVA expenditures covered in current audit period³: \$30,423,095
- o Total questioned costs: \$14,379,331

Audit of EAC's Decision-Making Policies

The EAC OIG entered into an interagency agreement with the OIG of the U.S. Postal Service (U.S. Postal OIG) to conduct an audit of the EAC's decision-making policies. The objective of the audit was to determine whether decision-making controls of the EAC were properly designed, placed in operation, and operating effectively to provide reasonable assurance that key EAC decision-making policies met their objectives. The U.S. Postal OIG conducted the audit in accordance with generally accepted government auditing standards for performance audits.

³ The amount shown is based on accounting system records of the MDBOE; however, our findings indicated that MDBOE's Federal Financial Reports were not supported by the accounting records; therefore, the accounting system records were not necessarily representative of the true expenditures during the period.

The U.S. Postal OIG found that EAC's decision-making controls were not always properly designed, placed in operation, and operating effectively. Specifically, they found the policies did not always have clear, structured, and consistent guidance for making decisions and that EAC did not always maintain adequate documentation to support decisions made.

They also noted that issues dating back as far as 2008 remained unresolved as of the date of the audit, including the need for strategic planning, organizational structure, internal controls based on risk assessments, and policies and procedures.

The report contains three recommendations for corrective action:

- Develop, document, and implement a 5-year strategic plan.
- Enhance the record management system to document Election Assistance Commission decisions, operations, policies, procedures, and practices.
- Establish a project plan to include timelines and resources needed to accomplish the planned corrective actions on outstanding prior audit recommendations.

EAC management generally agreed with the findings and recommendations and had already begun corrective actions at the time the audit was done. Management responded that they were drafting a 5-year plan and operational plan for fiscal year 2019. They had also developed plans to enhance EAC's records management system to reflect the appropriate records and documentation and support the Executive Director's daily operational decisions, as appropriate. The response stated that management has already developed a timeline to accomplish planned corrective actions on outstanding prior recommendations.

Since the audit was issued, the new Presidential administration issued guidance that requires all agencies to create an Agency Reform Plan for submission with the President's Budget in February 2018. The planning required by that guidance will satisfy the recommendation for a strategic plan. EAC has researched records management criteria and is in the process of determining whether one or more of its existing retention schedules is actually approved as an agency-wide schedule. If an agency-wide schedule exists, the agency intends to communicate it to all staff and begin implementing it across the entire agency.

Audits Commenced During the Semiannual Period

Fiscal Year 2017 Audit of EAC's Financial Statements

We contracted with Brown & Company CPAs, PLLC (Brown & Company) to conduct the audit of EAC's fiscal year 2017 financial statements in accordance with generally accepted auditing standards promulgated by the American Institute of Certified Public Accountants (AICPA), *Government Auditing Standards* (GAGAS), and Office of Management and Budget Bulletin No. 17-03. The OIG expects to issue the final report in early November 2017.

Federal Information Security Modernization Act of 2014

The OIG hired CliftonLarsonAllen LLP (CLA), an independent certified public accounting firm, to conduct an audit of EAC's compliance with the Federal Information Security Modernization Act of 2014 (FISMA) and related information security policies, procedures, standards, and guidelines. The audit is to include assessing the EAC's effort to develop, document, and implement an agency-wide program to provide information security for the information and information systems that support the operations and assets of the EAC. The OIG expects to issue the final report in early November 2017.

Audit of the Election Assistance Commission's Performance under the DATA Act of 2014

Section 6 of the Digital Accountability and Transparency Act (DATA Act) requires the Inspector General (IG) of each Federal agency, in consultation with the Comptroller General of the United States, to review a statistically valid sampling of the spending data submitted under the Act by the Federal agency. Those IGs are required to submit to Congress and make publically available a report assessing the completeness, timeliness, quality, and accuracy of the data sampled and the implementation and use of data standards by the Federal agency.

The objectives of the DATA Act audit are to assess the (1) completeness, timeliness, quality, and accuracy of fiscal year 2017, second quarter financial and award data submitted for publication on USAspending.gov and (2) EAC's implementation and use of the Government-wide financial data standards established by OMB and Treasury. The scope of this audit is fiscal year 2017, second quarter financial and award data the EAC submitted for publication on USAspending.gov, and any applicable procedures, certifications, documentation, and controls to achieve that process.

After becoming aware of a timing anomaly in the DATA Act, the Council of the Inspectors General on Integrity and Efficiency (CIGIE) wrote to Congress to inform them that the IGs would issue reports one year later than the date originally called for in the law. Under the DATA Act as written, the IGs would have been required to report on the same objectives contained in the current audit by November 9, 2016; however, the agencies the IGs were to audit were not required to begin their DATA Act reporting until May 2017. After CIGIE gave notice to Congress, the IG audits are now due by November 8, 2017. The EAC OIG met the revised deadline for report issuance.

Investigations

The OIG did not issue any investigative reports during this semiannual reporting period. We did not perform or report on any investigations involving senior Government employees during the period.

Other Activities

Reviews of Legislation, Rules, Regulations, and Other Issuances

The OIG conducts regular monitoring of EAC program activities and policy-making efforts. We provide comments as needed on significant policy statements, rulemaking and legislation that affects the EAC. The OIG did not complete reviews of any of these types of documents during the semiannual period.

Whistleblower Retaliation

The EAC OIG did not become aware of any instances of whistleblower retaliation during the semiannual period.

OIG Hotline

The OIG receives and investigates complaints of fraud, waste, abuse, and mismanagement in EAC programs or by EAC grant recipients. In order to facilitate filing complaints, the OIG maintains an on-line complaint submission form, a hotline telephone, a hotline e-mail address and a hotline fax number. Complaints may originate from EAC employees, EAC funding recipients or any member of the public. Persons making complaints can do so confidentially or anonymously and the OIG does not release names without the complainant's consent unless the Inspector General determines that it is necessary to do so in the course of an investigation or audit.

The OIG considers the incoming calls, e-mails, and other forms of correspondence to be contacts. The IG analyzes each contact to determine whether it is a complaint to be evaluated or a matter that is outside the OIG authority. Whenever possible, the IG refers contacts that are outside of the OIG authority to the most likely source of help for the issue being reported.

After a hotline complaint is logged and assigned a number, the Inspector General evaluates the complaint according to the OIG *Guidelines for Evaluating OIG Hotline Complaints*. Each complaint is evaluated as to whether it is a high priority or low priority complaint. The EAC OIG considers many factors when deciding whether to open an investigation, audit, or other project based on a hotline complaint, and acknowledges that not every allegation or complaint received can be investigated. The factors considered may include:

- the merits of the allegations;
- existing priorities, commitments, and resources;
- the credibility of witnesses;
- the nature of the alleged violations;
- the available evidence;

- the elements of required proof;
- known mitigating circumstances; and
- the subject's current employment status with the agency.

No complaints were open at the beginning of the period. During the semiannual reporting period ended September 30, 2017, the OIG received or processed 23 contacts. Of the 23 contacts, one was a complaint, which alleged that the EAC Commissioner who serves on the President's Advisory Commission for Election Integrity (PACEI) violated a provision of HAVA by serving on the PACEI. The EAC OIG researched the issue with the assistance of the OIG's General Counsel and closed the complaint as unsubstantiated.

Of the 23 total contacts the EAC OIG received, eight expressed concerns about voter fraud in elections or voter registrations (34.8%), five related to voting or election irregularities (21.7%), two objected to the existence or activities of the PACEI (8.7%), and seven concerned other topics (30.4%). The IG referred most of the contacts to websites for State or local boards of elections that provide information about voting administration.

Appendix A: Peer Review Activity

Section 989C of the Dodd-Frank Act contains additional semiannual reporting requirements pertaining to peer review reports. Federal Inspectors General are required to engage in peer review processes related to both their audit and investigative operations. In keeping with Section 989C, the EAC OIG is reporting the following information related to its audit peer review activities. These activities cover our roles as both the reviewed and the reviewing OIG.

Audit Peer Review of EAC OIG

In 3-year cycles, CIGIE coordinates peer reviews of each OIG's audit organization. A full peer review tests an OIG's system of quality control in accordance with the *CIGIE Guide for Conducting External Peer Reviews of the Audit Organizations of Federal Offices of Inspector General*, based on requirements in GAGAS.

A modified peer review tests the established policies and procedures for the audit function of an OIG that has not performed any audits using its own staff. GAGAS describe components of a system of quality control necessary to provide an OIG with reasonable assurance of conforming to applicable professional standards, which includes the established policies and procedures for the audit function.

The Federal Maritime Commission (FMC) OIG conducted a modified peer review of the EAC OIG's audit policies and procedures in effect at March 31, 2015, and issued a report thereon dated July 20, 2016. FMC's modified peer review was conducted in accordance with the *CIGIE Guide for Conducting Peer Reviews of the Audit Organizations of Federal Offices of Inspector General* for assessing established audit policies and procedures.

Based on the review, FMC OIG determined that the established policies and procedures for the audit function at March 31, 2015, were current and consistent with applicable professional standards as stated. They also issued a letter dated July 20, 2016, setting forth one finding and related recommendation, which they did not consider to be of sufficient significance to affect their conclusions on the established policies and procedures. The recommendation, which remains outstanding until the timely accomplishment of the next scheduled peer review, is set forth below:

- GAGAS requires audit organizations that perform audits or attestation engagements in accordance with GAGAS to establish and maintain a system of quality control and to undergo an external peer review at least once every three years. The EAC OIG's most recent peer review period covered the three-year period from April 1, 2012 to March 31, 2015. However, the EAC OIG did not complete the 2015 peer review in a timely manner based on the timeframe established by GAGAS, which requires the report to be issued within six months after the end of the period under review. The FMC OIG recommended that the EAC OIG should ensure that, in the future, it follows the Peer Review Schedule organized by CIGIE's Audit Committee and complies with the GAGAS and CIGIE's requirements for the timely completion

of a peer review, including issuance of a peer review report within six months of the end of the period under review.

Two factors caused the delay in the completion of the peer review. The previous EAC IG believed a conflict existed between the EAC OIG and the FMC OIG assigned to conduct the peer review. CIGIE later determined that a conflict did not exist and the assigned peer review team could perform the EAC OIG peer review; however, by the time CIGIE made that determination, the previous EAC IG's September 2015 retirement was imminent. The retirement of the previous IG, and the passage of time until EAC appointed a new, permanent IG in February 2016 contributed to the delay in the completion of the peer review. The current EAC IG concurred with the finding and recommendation in the draft letter of comment and committed to obtaining the next peer review for the period ending March 31, 2018, by September 30, 2018.

Peer Reviews Conducted by the Inspector General of Another Office of Inspector General

The EAC OIG did not conduct any peer reviews of any other OIGs during the period.

Appendix B: Statutory Disclosures

Significant Problems, Abuses, Deficiencies

The EAC OIG did not encounter or report on any significant problems, abuses, or deficiencies during the semiannual period.

Recommendations for Corrective Action

In their report on EAC's decision-making policies, the U.S. Postal Service OIG included the following finding and recommendations for corrective action:

1. EAC's decision-making controls were not always properly designed, placed in operation, and operating effectively.
 - EAC management should develop, document, and implement a 5-year strategic plan.
 - EAC management should enhance the record management system to document Election Assistance Commission decisions, operations, policies, procedures, and practices.
 - EAC management should establish a project plan to include timelines and resources needed to accomplish the planned corrective actions on outstanding prior audit recommendations.
 - Status as of September 30, 2017:
 - EAC management had started to develop a strategic plan when, on April , 2017, the Office of Management and Budget (OMB) issued Memorandum M-17-22, *Comprehensive Plan for Reforming the Federal Government and Reducing the Federal Civilian Workforce*.
2. McBride, Lock & Associates, LLC made 27 recommendations in its audits of HAVA funds in six states. EAC's Grants Management team and Audit Follow-up Official have been working with the states to reach resolution on the findings and recommendations. Those recommendations are discussed as part of the discussion of the six State audits, beginning on page 2.

Significant Management Decisions with Which the IG Disagrees

The EAC has not made any management decisions during the semiannual period with which the IG disagreed.

Matters Referred to Prosecuting Authorities

The EAC OIG did not refer any matters to prosecuting authorities during the semiannual period.

Information Unreasonably Refused or Not Provided

The EAC OIG did not experience any denials of access to records during the semiannual period.

APPENDIX B

Audits, Inspections, and Evaluations with Questioned/Unsupported Costs

<i>Category</i>	<i>Number</i>	<i>Questioned Costs</i>	<i>Unsupported Costs</i>
A. For which no management decision had been made by the beginning of the reporting period.	1	\$ 284,759	\$ 284,759
B. Which were issued during the reporting period.	-	<u>16,053,971</u>	<u>14,692,399</u>
Subtotals (A + B)	1	16,338,730	14,977,158
C. For which a management decision was made during the reporting period.	-	-	-
(i) Dollar value of recommendations that were agreed to by management.	-	-	-
(ii) Dollar value of recommendations not agreed to by management ⁴ .	1	<u>(284,759)</u>	<u>(284,759)</u>
D. For which no management decision has been made by the end of the reporting period.	1	\$ <u>16,053,971</u>	\$ <u>14,692,399</u>

Summary of Reports with Questioned/Unsupported Costs

	<i>Issued</i>	<i>Questioned</i>	<i>Unsupported</i>	<i>Total Questioned</i>
Reports at beginning of period:				
Virgin Islands	10/31/2013		\$ 284,759	\$ 284,759
New Reports this period:				
Mississippi	8/24/2017	\$ 66,878	143,122	210,000
New Hampshire	8/25/2017	1,000,000	2,446	1,002,446
Vermont	8/1/2017	209,914	102,645	312,559
South Dakota	7/27/2017	1,474	10,855	12,329
Puerto Rico	8/7/2017	83,306	54,000	137,306
Maryland	9/6/2017	-	<u>14,379,331</u>	<u>14,379,331</u>
Total		\$ <u>1,361,572</u>	14,977,158	16,338,730
Less: costs allowed this period			<u>(284,759)</u>	<u>(284,759)</u>
Ending Balance			<u>\$14,692,399</u>	<u>\$16,053,971</u>

⁴ The audited entity provided documentation to validate the costs questioned during the audit and management decided to allow the costs.

**Audits, Inspections, and Evaluations with
Funds Put to Better Use**

<i>Category</i>	<i>Number</i>	<i>Dollar Value</i>
A. For which no management decision had been made by the beginning of the reporting period.	-	\$ -
B. Which were issued during the reporting period.	-	-
Subtotals (A+B)	-	-
C. For which a management decision was made during the reporting period.	-	-
(i) Dollar value of recommendations that were agreed to by management.	-	-
(ii) Dollar value of recommendations that were not agreed to by management.	-	-
D. For which no management decision has been made by the end of the reporting period.	-	\$ -

Summary of Reports More Than Six Months Old Pending Management Decision

Except for the pending management decision on unsupported costs amounting to \$284,759, discussed on page 15 and below, EAC OIG had no reports more than six months old for which no management decision had been made as of September 30, 2017.

Summary of Reports Issued with Outstanding Recommendations Pending

This section presents a summary for each audit, inspection, or evaluation report issued before the commencement of the semiannual period for which there are any outstanding unimplemented recommendations.

Report Number	Date	Report Title	Potential Cost Savings
I-EV-EAC-01-07B	February 2008	Assessment of the U.S. Election Assistance Commission's Program and Financial Operations	None
Recommendation(s)		Status Per EAC Management	
<ul style="list-style-type: none"> Develop a communication strategic plan and goals, and written policies and procedures to ensure authorized and consistent implementation of EAC communications. Develop written policies and procedures to minimize the impact of human capital loss, if any, to its operations of the Communications Division. Establish policies and procedures related to the research process and the clearinghouse function to include developing (1) a formal peer review process for the research methodology and results and (2) policies and procedures related to the research process from initiation through reporting. Establish policies and procedures to comply with the National Voter Registration Act (NVRA) 		<ul style="list-style-type: none"> EAC management provided copies of the plans, policies and procedures for the communication strategic plan and goals, the Communications Division, and the research process for the OIG to review, stating that they believed the documents were sufficient to close the recommendations. The NVRA continues to be an open item. The Commissioners considered policies and procedures for requested changes to the NVRA form but did not reach a consensus. Issues related to state-specific instructions remain under judicial review and, following that review, the procedures will be revisited for potential closure. 	
Status Per EAC OIG			
The EAC IG reviewed the plans, policies and procedures for the communication strategic plan and goals, the Communications Division, and the research process and concurs that the documents met the intent of the recommendations. The three recommendations above are closed, effective September 30, 2017.			

APPENDIX B

Report Number	Date	Report Title	Potential Cost Savings
E-HP-VI-01-13	October 2013	Election System of the Virgin Islands' Compliance with the Help America Vote Act of 2002	\$284,759
Recommendation(s)		Status Per EAC Management	
<ul style="list-style-type: none"> • Provide documentation to support HAVA funds expended. • Require the Joint Board of Elections to establish safeguards to mitigate the potential fraudulent use of the Imprest Fund Checking Account. • Conduct physical inventories at least once every 2 years and reconcile them to property records. • Reconcile any equipment previously disposed of and adhere to Federal guidelines for future disposals. 		<ul style="list-style-type: none"> • The U.S. Virgin Islands Election Board (USVI) was unable to provide documentation during the audit to support \$284,759 in HAVA fund expenditures -- \$123,166 in Section 101 funds and \$161,593 in Section 251 funds. USVI has now identified offsetting expenditures in the amount of \$284,759, which are eligible for reimbursement under HAVA. In addition, the \$123,166 in Section 101 expenditures, which took place between 2004 and early 2006, were questioned primarily due to a lack of complete documentation. Given the transactions took place over a decade ago, EAC instead reviewed the descriptions and purpose of these expenditures and found the costs allowable and reasonable under Section 101. Acceptance of these costs (less \$1,404 in unallowable costs) reduced the questioned costs by \$121,762 to \$162,997. The EAC is satisfied that the offsets of \$284,759 more than cover the amount questioned in the audit and as such, EAC considers this matter closed. • USVI has developed safeguards to mitigate potential fraudulent use of the Imprest Fund Checking Account. The Joint Board submitted a proposal to the Legislature to amend Title 33 of the Virgin Islands Code to have their process changed to require safeguards. USVI also now requires two signatures (Board Chair and the Supervisor) prior to withdrawal of any funds from the Imprest Account. EAC considers this matter closed. • USVI has developed property inventorying procedures and schedules. They have conducted a physical inventory in accordance with the new procedures. Their property records have now been reconciled. Additionally, USVI has adopted a new policy on record retention and inventory management. EAC considers this matter closed. • USVI has reconciled all disposed equipment and is following equipment disposition guidelines. EAC has received evidence of this reconciliation and as such, EAC considers this matter closed. 	

APPENDIX B

Report Number	Date	Report Title	Potential Cost Savings
Status Per EAC OIG			
<p>USVI had provided sufficient information and documentation to satisfy EAC management concerning the matters discussed in the recommendations when, on October 26, 2017, OMB's Office of Federal Financial Management issued a memorandum concerning administrative relief for grantees impacted by hurricanes Harvey, Irma, and Maria. Both Irma and Maria caused heavy damage throughout the Virgin Islands. EAC management has been looking closely at the OMB memorandum to determine how flexibilities in the management of assistance awards provided by the memorandum may affect the resolution of the audit findings and recommendations. The EAC OIG concurs with the management decisions on the corrective actions and considers these recommendations closed as well.</p>			

Summary of Investigative Reports Issued

Description	Number
Total number of investigative reports issued during the reporting period	0
Total number of persons referred to the Department of Justice for criminal prosecution during the reporting period	0
Total number of persons referred to state and local prosecuting authorities for criminal prosecution during the reporting period	0

In the absence of any reports to discuss, no metrics were used for developing the statistics in the table above.

Investigations of Senior Government Employees

EAC OIG did not receive any substantiated allegations of misconduct by senior Government employees during the semiannual period.

Whistleblower Retaliation Cases

EAC OIG did not receive any allegations of whistleblower retaliation during the semiannual period and had no pending cases at the beginning of the period.

OIG Projects and Activities Not Publicly Disclosed

EAC OIG did not close any inspections, evaluations, or audits during the period that the Office did not disclose to the public.

EAC OIG did not close any investigations involving any senior Government employees during the period that the Office did not disclose to the public

Appendix C: Semiannual Reporting Requirements of the IG Act

Section of the IG Act	Requirement	Page Number
<u>5(a)(1)</u>	<u>Description of significant problems, abuses, deficiencies</u>	13 (None)
<u>5(a)(2)</u>	<u>Recommendations for corrective action</u>	13
<u>5(a)(3)</u>	<u>Description of significant recommendations described in a previous semiannual period for which corrective action is not complete</u>	17
<u>5(a)(4)</u>	<u>Matters referred to prosecutive authorities; resulting prosecutions and convictions</u>	13 (None)
<u>5(a)(5)</u>	<u>Summary of each report made to the head of the establishment under 6(b)(2)</u> ["(2) Whenever information or assistance requested under subsection (a)(1) or (a)(3) is, in the judgment of an Inspector General, unreasonably refused or not provided, the Inspector General shall report the circumstances to the head of the establishment involved without delay."]	13 (None)
<u>5(a)(6)</u>	<u>Listing by subject matter of audit, evaluation, and inspection reports with total questioned costs, unsupported costs, and funds put to better use</u>	2
<u>5(a)(7)</u>	<u>Summary of each particularly significant report</u>	2
<u>5(a)(8)</u>	<u>Statistical tables showing total number of audit, inspection, and evaluation reports with questioned/unsupported costs:</u> (A) No management decision made by commencement of reporting period; (B) Issued during the reporting period; (C) For which management decision was made showing dollar value of disallowed costs and costs not disallowed; (D) For which no management decision has been made by the end of the reporting period	15

Section of the IG Act	Requirement	Page Number
<u>5(a)(9)</u>	<p><u>Statistical tables showing total number of audit, inspection, and evaluation reports with funds put to better use:</u></p> <p>(A) No management decision made by commencement of reporting period (B) Issued during the reporting period; (C) For which management decision was made showing dollar value of disallowed costs and costs not disallowed; (D) For which no management decision has been made by the end of the reporting period.</p>	16
<u>5(a)(10)</u>	<p><u>Summary of each audit, inspection, and evaluation report issued before the commencement of the reporting period:</u></p> <p>(A) Title, date of each report for which no management decision has been made by the end of the reporting period; i. Explanation of reasons management decision has not been made; ii. Statement concerning the desired timetable for achieving a management decision on each report; (B) Title and date of each report for which no establishment comment was returned within 60 days of providing the report to the establishment; (C) Title and date of each report or which there are any outstanding unimplemented recommendations, including the aggregate potential cost savings of those recommendations;</p>	17
<u>5(a)(11)</u>	<p><u>Description and explanation of the reasons for any significant revised management decision made during the reporting period.</u></p>	17 (None)
<u>5(a)(12)</u>	<p><u>Significant management decisions with which the Inspector General is in disagreement.</u></p>	13 (None)
<u>5(a)(13)</u>	<p><u>Information described under section 05(b) of the Federal Financial Management Improvement Act of 1996 (law applicable only to CFO Act agencies; not applicable to EAC).</u></p>	Not Applicable

APPENDIX C

Section of the IG Act	Requirement	Page Number
<p><u>5(a)(14)(A) or 5(a)(14)(B)</u></p>	<ul style="list-style-type: none"> • <u>Results of any peer review conducted by another OIG during the reporting period; or</u> • <u>Statement identifying the date of the last peer review conducted by another OIG, if no peer review was conducted within that reporting period.</u> 	<p>11</p>
<p><u>5(a)(15)</u></p>	<p><u>List of any outstanding recommendations from any peer review conducted by another OIG that have not been fully implemented, including a statement describing the status of the implementation and why implementation is not complete.</u></p>	<p>11</p>
<p><u>5(a)(16)</u></p>	<p><u>List of any peer reviews conducted by the Inspector General of another Office of the Inspector General during the reporting period, including a list of any outstanding recommendations made from any previous peer review (including any peer review conducted before the reporting period) that remain outstanding or have not been fully implemented .</u></p>	<p>12 (None)</p>

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Inspector General

U.S. Election Assistance Commission

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