



U.S. ELECTION ASSISTANCE COMMISSION

AGENCY FINANCIAL REPORT

November 16, 2015

ABOUT THIS REPORT

For FY 2015 reporting purposes, the U.S. Election Assistance Commission (EAC) has again elected to submit an Agency Financial Report, with an Annual Performance Report along with the Congressional Budget Justification, and a Citizens' Report. The reports are targeted to the Office of Management and Budget (OMB), Congress, and the Public, respectively. The AFR allows EAC to focus on and lay out its financial position at this time, while providing summary performance data. A combined Annual Performance Report/Congressional Budget Justification, and a Citizen's Report, will follow per guidance in OMB Circular A-136, *Financial Reporting Requirements*.

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



November 16, 2015

MESSAGE FROM THE CHAIRWOMAN

The U.S. Election Assistance Commission (EAC) is an independent bipartisan agency whose mission is, “For the EAC to assist in the effective administration of Federal elections.” Following is the EAC’s Fiscal Year (FY) 2015 Agency Financial Report. The report describes the EAC’s accomplishments, financial results during the past fiscal year, and efforts to strengthen internal controls and financial management activities.

This is the eighth year that the EAC has undergone a financial statement audit per the Accountability of Tax Dollars Act of 2002, and the seventh year the EAC has chosen the option available in the Office of Management and Budget Circular A-136, *Financial Reporting Requirements* to submit an Agency Financial Report and Annual Performance Report instead of the Performance and Accountability Report. The EAC presents summarized performance data in this report, and will provide more detailed data in conjunction with the FY 2017 Congressional Budget Justification.

From December 2011 through December 2014, the EAC operated without Presidential Appointees confirmed by the Senate to serve as Commissioners. In December 2014, the Senate confirmed three Presidential nominees to be EAC Commissioners, and on January 13, 2015, they were formally appointed by the President and took the oath of office. The EAC now has a quorum of Commissioners for the first time since December 10, 2010. In the first nine months since appointment, the Commission has, among other things, re-convened its advisory boards; held four public meetings, a roundtable discussion, a symposium and a data summit; adopted several new management policies, approved a long-standing research report; and disseminated guidance to state and local election officials on use of Help America Vote Act (HAVA) funds.

On their first day in office, the Commissioners found on their desks letters from the Co-chairs of the Presidential Commission on Election Administration (PCEA) and the National Association of Election Directors (NAED) asking the Commission to take action on a number of items important to the election community. Those items included approving revisions to the decade-old Voluntary Voting System Guidelines (VVSG), updating the *Testing & Certification Program Manual* and the *Voting System Test Laboratory Program Manual*, certifying a Voting System Testing Laboratory (VSTL) that had been awaiting a Commission vote for three years, and providing for continuity of the HAVA-mandated Standards Board, Board of Advisors and Technical Guidelines Development Committee should the agency again find itself in a position where the Commission lacked a quorum or if all Commissioner positions become vacant. The

Commission was asked to take action on these items within six months of taking office, but achieved them within three months by taking various actions at Public Meetings held in February and March 2015.

The new Commissioners immediately hired a transition team of seasoned election officials to analyze the Commission's structure, staffing and mission. That team interviewed the Commissioners and every member of the Commission's staff, reviewed work performance against the agency's mandated mission, and provided recommendations for restructuring and appropriate focus to the Commissioners in a written report. The Commissions have already implemented a number of the recommendations of the transition team and are working on implementing others.

Because the Commissioners see the EAC as a service agency, they also embarked on a listening tour to determine the most effective approach for the EAC to achieve its mission of serving state and local election officials. To that end, the Commissioners have been meeting with members of the election community, including the EAC's Standards Board and Board of Advisors members; state and local elections staff; national and international election associations; state legislator and lawyer associations; academics; computer scientists; electrical and electronics engineers; *Federal Voting Assistance Program* personnel; voting system manufacturers; and advocacy groups. These meetings have allowed the Commissioners to gather information for the purpose of developing and setting appropriate goals to further the mandates of the agency and to allow it to provide valuable assistance to election officials.

In February 2015, the EAC, in conjunction with the National Institute of Standards and Technology (NIST), hosted, "The Future of Voting Systems Symposium II." The discussion focused on the future of voting systems and explored emerging trends in voting. The Symposium, which included election officials, voting system manufacturers, voting system test laboratory representatives, standards developers, academics, and Federal, state and local government officials, provided interactive discussions among the attendees and served to inform the current state and future possibilities in voting equipment and technology and how we may continue to modernize the administration of election of our elections.

In March, as part of its listening tour, the Commission convened a roundtable entitled, "Priorities, Policy, and Strategy: Next Steps for the EAC." The agency vetted short-term goals, long-term strategies and priorities with its stakeholders. The roundtable explored election administration practices and issues faced by many of the institutions and constituencies who share the EAC's mission of improving election administration in the United States.

In April, the Commission re-established the aforementioned HAVA-mandated EAC Standards Board and Board of Advisors. The Standards Board consists of 110 state and local elections administrators from each state and territory. The Board of Advisors has 37 members representing voter interest groups. Both boards are critical to the standards-setting process and informing the Commission's work and priorities.

In July, the EAC commemorated the 25th Anniversary of the Americans with Disabilities Act by holding a public meeting focusing on improving accessibility for voters with disabilities. HAVA, the agency's authorizing legislation, mandates that individuals with disabilities must be provided the same opportunity to vote freely and independently. The Commission heard testimony from accessibility advocates, experts, and individuals with disabilities regarding the progress made since the passage of HAVA, and the work still to be done. The EAC's highly successful Accessible Voting Technology Initiative (AVTI) competitive grant program resulted in over 45 technological and administrative solutions for assisting voters with disabilities. The initiative included the EAC's Military Heroes grant aimed at providing the specific assistance needed for recently injured military personnel to participate in elections.

Building on the February Symposium and recognizing that the nation's elections systems must utilize rapidly advancing technology and innovations, in July, the EAC along with NIST convened a preliminary meeting of the Technical Guidelines Development Committee (TGDC). The group identified issues that will impact the development of a new set of national voting systems guidelines, discussed lessons learned from past efforts, and created a plan to implement public working groups that will meet over the next year to focus on specific subjects to be incorporated in a new VVSG.

The EAC held a first of its kind Election Data Summit at American University's School of Presidential and Congressional Affairs in August. The Summit included over 40 election officials and academics representing 20 states and numerous localities. Discussion centered on how participants collect, analyze, and use data to create efficiencies, re-allocate limited resources, inform decision-making, and ultimately to improve elections. Participants considered best practices and uses of election data, the value to election officials and academics of data in election management, and ways to improve the data collected through the EAC's biennial Election Administration and Voting Survey (EAVS).

In FY 2015, the Commission issued ten funding advisory opinions on payments and grants questions, adopted a policy expediting responses to routine use of payments and grant funds, and released the *2014 Election Administration and Voting Survey (EAVS) Report*. The report includes, A Summary of Key Findings, The Impact of the National Voter Registration Act (NVRA) of 1993 on the Administration of Elections for Federal Office 2013-2014, and a Survey of Findings of the Uniformed and Overseas Citizens Absentee Voting Act (UOCAVA). Additionally, the Commission adopted the study and the findings of the HAVA-mandated *Urban Rural Study Report*.

In addition to providing forums and adopting policies and reports, the EAC provides numerous resources to our nation's approximately 11,000 jurisdictions that administer elections. These resources are available to election officials directly from the Commission and may also be viewed or downloaded through the EAC's website, www.eac.gov. In FY 2015, in view of the concern over aging election infrastructure, the EAC began developing Managing Election Technology guides to help election officials of all skill levels better handle their information technology (IT) demands, help election

officials identify their primary responsibilities as IT managers, and to provide ideas and best practices for achieving success in this role. The EAC has published the first two guides entitled, “Ten Things to Know About Selecting a Voting System,” and “Ten Things to Know About Managing Aging Voting Systems.” The Commission has also begun collecting and publishing contracts and Requests for Proposals (RFPs) for election technology to help election administrators inform their own purchasing needs. Dedicated EAC personnel are also readily available to assist election officials as they develop their own list of equipment requirements.

Another resource created and disseminated in FY 2015 was the EAC “Resource Bank” toolkit. The toolkit is a growing repository in support of the EAC’s vision, “For the EAC to be a service agency and the go-to resource on election information, best practices, data, technology, technical advice and assistance for election administrators, officials, and voters across America.” The “Resource Bank” toolkit was designed specifically for election officials to help solve election-cycle challenges. Leading up to elections, election officials are faced with the enormous responsibility of informing voters about where, when and how to vote; training poll workers; and conducting fair, accessible, accurate and secure elections. The toolkit contains:

- thirteen new Quick Tips Guides designed to assist election officials with administering elections, on a wide range of topics, such as managing change, using election data, employing poll workers, administering provisional ballots, serving UOCAVA Voters, and educating voters,
- “14 Facts About Voting in Federal Elections” in seven languages,
- hyperlinks on certain election administration best practice materials and,
- a series of guides to help promote discussion around various election administration topics.

The agency’s organizational structure is aligned with the four program goals which are based on the mandates of the Help America Vote Act. Goal 1, *Communicate*, is administered by the Communications division. Goal 2, *Fund & Oversee*, is managed by the Payments and Grants Management division and the Office of the Inspector General. Goal 3, *Study, Guide and Assist*, is administered by the Research, Policy and Programs division. Goal 4, *Test and Certify*, is managed by the voting system Testing and Certification division. The EAC also continued to make improvements in Goal 5, *Operate*. Goal 5 captures progress in performance, internal controls, and efficiencies.

Other FY 2015 EAC accomplishments in response to the goals included:

Communications

- publicized four public meetings, a symposium, a roundtable, and a summit; the EAC’s educational materials; research products; and program activity updates;
- disseminated information via five press releases, 16 newsletters, 23 announcements and Sunshine Act Notices, 34 blog posts, Facebook, Twitter

account @EACgov, hashtag #EACvote, and 33 E-Alert automatic program updates on the EAC website;

- provided the information to election officials; Congressional staff; academics; national, state and local the media outlets; and other stakeholders.

Fund & Oversee

- disbursement of over \$930,000 to three states certifying compliance with the provisions of HAVA;
- technical assistance on use of the \$451.7 million reported by the states as available to fund the mandates of HAVA;
- close out of: 1) the Voting System Pre-Election Logic and Accuracy Testing & Post-Election Audit Initiative grants, 2) the Accessible Voting Technology Initiative grants, 3) three Office of the Inspector General audits of state use of HAVA funds, and 4) two audits conducted pursuant to the Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Study, Guide and Assist

- the 2014 Statutory Overview, a compilation of each state's election laws and regulations;
- the 2014 EAVS data sets, and data visualizations of the 2014 mid-term elections;
- distribution of over 300 Quick Start toolkits at state election administrator association conferences during the summer and early fall of 2015.

Test and Certify

- certification of six voting systems;
- continued development of state requirements mapping and implementation of major updates to the EAC's Virtual Review Tool (VRT);
- audit of one voting system manufacturing facility;
- collection and posting of closed state and local RFP documents for voting systems and electronic pollbooks on *eac.gov*;
- a Technology Testing Agreement meeting between the EAC, a Voting System Test Laboratory (VSTL), and a non-traditional voting system manufacturer; a VSTL Meeting; and a Voting System Manufacturers Meeting.

More detail on FY 2015 accomplishments can be found in Section I.B. of the following document.

Over the years, the EAC's Inspector General has conducted operational audits and investigations of the agency. The vast majority of recommendations made in the internal audits have been implemented by the EAC. The financial and performance data in this report is reliable and complete, with no material internal control weaknesses. The Commission provides an unqualified statement of assurance that the agency's internal

Election Assistance Commission

control and financial management systems meet the objectives of the Federal Managers' Financial Integrity Act.

The new Election Assistance Commission stands ready to assist our state and local election officials to help America vote.

Sincerely yours,



Christy A. McCormick
Chairwoman

TABLE OF CONTENTS

	Page
SECTION I - Management Discussion and Analysis	1
I.A. Background, Vision, Mission and Organizational Structure	1
Organization by Program	2
Organization Chart.....	5
I.B. Performance Goals, Objectives, and Results	6
How the EAC Assesses Performance.....	6
Accomplishments by Goal	6
Program Performance Indicators.....	13
FY 2015 Performance Summary	13
Portfolio Analysis.....	13
I.C. Financial Results.....	14
Budgetary Resources	14
Financial Position.....	14
Results of Operations.....	15
Limitations of the Financial Statements	15
I.D. Analysis of Controls, Management Systems, and Legal Compliance.....	15
Internal Control Environment.....	15
Federal Manager’s Financial Integrity Act.....	16
Entity-Wide Security Program.....	16
Audit Follow-Up.....	16
Federal Financial Management Improvement Act	17
Accountability of Tax Dollars Act of 2002	17
Federal Information Security Management Act	17
Inspector General Act Amendments of 1988.....	17
Annual Assurance Statement on Internal Control	18
SECTION II – Financial Section.....	19
II.A. Message from the Chief Financial Officer	19
II.B. Inspector General’s Assessment.....	20
II.C. Independent Auditor’s Report	22
II.D. Financial Statements.....	27
II.E. Notes to the Financial Statements.....	32
II.F. Required Supplementary Stewardship Information.....	44
SECTION III - Other Accompanying Information.....	46
III.A. Most Serious Management Challenges Facing the EAC	46
III.B. The EAC’s Response to the Most Serious Management Challenges.....	50
III.C. Improper Payments	51
III.D. Summary of Financial Statement Audit and Management Assurances	51

SECTION I

Management Discussion and Analysis

The 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; and actions taken or planned to address issues. 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. The Act 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 is: *For the EAC to be a service agency and the go-to resource on election information, best practices, data, technology, technical advice and assistance for election administrators, officials, and voters across America.* The mission is: *For the EAC to assist in the effective administration of Federal elections.*

The EAC is an independent, bipartisan agency. By statute, 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. Currently, there are three Commissioners. The EAC is statutorily charged with:

- adopting voluntary voting system guidelines for possible use by the states,
- accrediting voting system testing laboratories and certifying voting systems,
- developing guidance for state and local election officials to meet HAVA requirements,
- serving as a national Clearinghouse of information on election administration, including tools and best practices,
- maintaining the national mail voter registration form, developed in accordance with the National Voter Registration Act (NVRA) of 1993,
- promoting accessibility for voters with disabilities,
- providing grantees with technical assistance on use of payments and grant funds, and
- auditing the use of HAVA funds.

The Standards Board and the Board of Advisors provide advice and guidance to the EAC on Voluntary Voting System Guidelines (VVSG) and other election administration issues. HAVA established the Technical Guidelines Development Committee (TGDC) to assist the EAC in the preparation of the VVSG. The VVSG sets the standards against which voting systems are tested.

Election Assistance Commission

The Director of the National Institute of Standards and Technology (NIST) of the U.S. Department of Commerce serves as the Chair of the TGDC, and provides technical support to the Committee. Additionally, HAVA specifies that NIST provide recommendations to the EAC regarding voting system test laboratories. Since Fiscal Year (FY) 2004, the EAC's annual appropriations have included \$33.8 million 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 statewide voter registration databases, train election officials, and educate voters. In Fiscal Year 2003, the General Services Administration (GSA) distributed \$649.5 million in HAVA funds to the fifty states, Guam, Puerto Rico, the U.S. Virgin Islands, American Samoa and the District of Columbia on the EAC's behalf. The funds were distributed for activities to improve the administration of elections (HAVA Section 101) and to replace punch card and lever voting machines (Section 102).

The Senate confirmed four Commissioners in December 2003, and the EAC began operations in January 2004. The Agency's Fiscal Year 2004 operating budget was \$1.7 million. At the close of the fiscal year, the EAC had a staff of 18. The 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, the EAC also appointed a statutorily-required General Counsel. During Fiscal Year 2005, the EAC appointed its other statutorily-required positions: the Executive Director, and an interim Inspector General. The 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 2015, the EAC had 21 full-time and six part-time staff. Since its inception, EAC has received \$2,606,150,000 in requirements payments; and \$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. The EAC also tracks and provides technical assistance on the \$67.7 million of Section 101 funds reported by the states as available. The time period for using the Section 102 funds expired, and the EAC collected all unused funds by the end of FY 2014.

In FY 2015, the Senate confirmed three Commissioners appointed by the President. There is currently one Commissioner vacancy.

Organization by Program

The EAC has organized its offices around the mandates of HAVA. Below are brief descriptions of the four offices responsible for implementing the Strategic Plan programmatic goals. Following the descriptions is the 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:

- the EAC Website and Clearinghouse,
- social media,
- media inquiries,
- external communications,
- Congressional relations,
- the Freedom of Information Act,
- editorial support including 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, informational videos, research, data, and program-related information. It also features on-demand webcasts and related information from public meetings, hearings, summit, and roundtables.

The EAC's website features a user-driven notification system, allowing visitors to customize how they receive information. Users sign up for daily or weekly automatic e-mail alerts on a variety of election topics and events, including public meetings, advisory board meetings, reports, policies, and other agency news.

Payments and Grants Management

The Payments and Grants Management Division:

- provides technical assistance to the states on administering Federal funds,
- processes and disburses payments to the 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,
- analyzes audit reports and works with fund recipients on recommendations to resolve audit findings applicable to the EAC's programs,
- reviews amended State Plan submissions on the use of Requirements Payments funds, and
- drafts advisory opinions for Commission approval and issuance.

Research, Policy and Programs

The Research, Policy and Programs Division:

- administers the biennial Election Administration and Voting Survey (EAVS) to 55 states, the District of Columbia, and territories. The survey produces data and reports mandated by HAVA. Topics include the impact of the National Voter Registration Act of 1993, and on the Uniformed and Overseas Citizens Absentee Voting Act (UOCAVA) for military and overseas voters' participation in Federal elections. EAVS is the only comprehensive collection and report of data on elections in the United States,

Election Assistance Commission

- conducts research on election administration topics as mandated by Congress and at the discretion of the Commission. Research has included administering elections in urban and rural areas; the feasibility and advisability of establishing free absentee ballot return postage; the feasibility of alternative voting methods; and the voting experiences of first-time voters who register to vote by mail,
- manages 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 Program to assist state and local election officials with conducting secure, efficient, accurate, and accessible elections. The educational materials provide information and “Quick Tips” on topics such as: Employing Poll Workers, Polling Place Management, Voting Accessibility, Communicating with the Public, Contingency Planning, Managing Change in an Election Office, Serving UOCAVA voters, and Developing an Audit Trail for the verification of votes,
- manages the Language Accessibility Program that provides informational materials on the Federal election process, glossaries of election terminology in English and six other languages, and translates the National Mail Voter Registration Form into ten languages other than English, and
- provides materials to voters and election administration officials to facilitate successful participation in Federal elections.

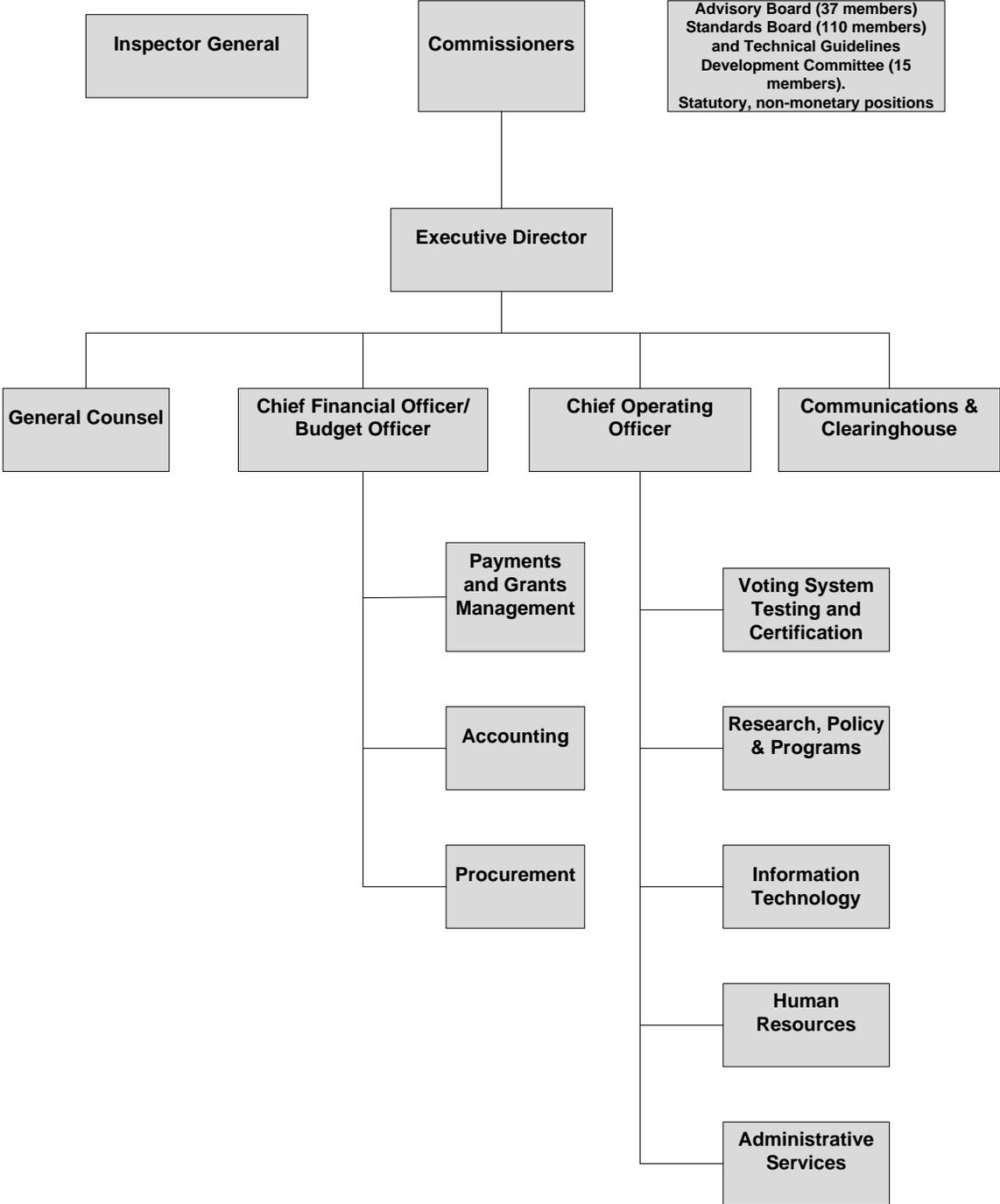
Voting System Testing and Certification

Under the Help America Vote Act, the EAC is responsible for assisting states with improvements to voting systems through the distribution of Federal funds. EAC accredits voting system test laboratories and certifies voting equipment. Participation by states in the certification program is voluntary. Throughout the certification process, test plans, test reports, and reports on voting system anomalies in the field are provided to election officials. Staff works with the National Institute of Standards and Technology (NIST) to evaluate and accredit voting system test laboratories, and on 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 engineering change order updates, acceptance testing, and pre-election system verification for EAC-certified systems, issuance of Requests for Proposal, and information on how to maintain aging voting technology,
- promotes quality control in test laboratories and voting system manufacturing through the EAC Quality Monitoring Program, including periodic lab and manufacturing facility audits of EAC-registered entities,
- provides procedures to voting system manufacturers for the testing and certification of voting systems to specified Federal standards consistent with the requirements of HAVA Section 231(a)(1),
- upon invitation or with permission from election officials, the EAC conducts reviews of systems in use in the field,
- along with its advisories boards, the EAC and NIST work together to update and implement voluntary testing guidelines for voting systems.

ELECTION ASSISTANCE COMMISSION
ORGANIZATION CHART



I.B. PERFORMANCE GOALS, OBJECTIVES, AND RESULTS

The 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 the EAC's Board of Advisors and Standards Board for comment, as required by HAVA. The EAC adopted the Plan in March 2009. A new five-year plan is being developed.

How the EAC Assesses Performance

The 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 the 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 accessibility, security, and functionality,
5. implement a high-performance organization.

The EAC objectives listed below describe in general terms the results needed to accomplish its 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 and 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. The anticipated outcome of the goals is to provide Congress, Federal agencies, state and local election officials, and the public with reliable, accurate, and non-partisan information about the administration of Federal elections.

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

Goal 1 FY 2015 Accomplishments

The Communications and Clearinghouse Division began Fiscal Year 2015 with a focused effort on providing information and best practices to election officials and voters. The EAC maintained the goal of building a community of knowledge and expertise that could save election officials time and money in preparation for the 2016 Federal election cycle. Division staff notified stakeholders, media, and Congress that EAC has new commissioners and that a quorum has been restored to conduct new policy business.

Website *eac.gov*

In FY 2015, division staff maintained: Events finder: a comprehensive presentation of all EAC public events, including meetings, hearings and roundtable discussions; the Accessible Voting Resources page; a listserv for EAC's newsletter and automatic program updates; and links to state and local election social media sites as they were received. Staff awarded a new website contract, and met with the website contractor's project manager and the EAC's program staff, sought feedback from advisory boards and stakeholders about changes needed before launch of the new website, and worked on implementing a new website security project.

Stakeholder Updates

The division publicized four public meetings, a symposium, a roundtable, and a summit; the EAC's educational materials; research products; and program activity updates. Dissemination of information occurred via five press releases, 16 newsletters, 23 announcements and Sunshine Act Notices, 34 blog posts, Facebook, Twitter account @EACgov, hashtag #EACvote, and 33 E-Alert automatic program updates on the EAC website. The information went to election officials; Congressional staff; academics; national, state and local the media outlets; and other stakeholders.

The public meetings, roundtable, and summit were webcast live and featured a live Twitterfall. The corresponding meeting agendas, webcasts, reports, and transcripts, as applicable, are posted to the website.

Program updates included voting system certification; HAVA grants and payments funding charts and statistics, final grant reports, the EAVS 2014 report and data sets, and other EAC activities and election information.

Blog posts provided periodic election updates and highlight program activities including: EAC resources; Voting System Testing Updates; Aging Voting Technology; EAC-NIST Public Working Groups for New Voting System Guidelines; Election Data Summit; Commissioner Notes from the Road; Top Ten Priorities of EAC Stakeholders; Listening Feedback; Future of Voting Systems Symposium; State/Local Voting Systems Search Map; Quick Start Guides & Tips for Election Officials; 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.

Facebook "Likes" increased 628.6 percent since this time last year. From October 2014 through September 2015, and the number of the EAC's Twitter followers grew from 1,968 to 2,469.



Note: screen shot as of October 15, 2015

Federal Advisory Committee Act (FACA)

- managed the successful completion of the Congressionally-mandated Annual Comprehensive Review (ACR) report to Congress for Fiscal Year 2014,
- published Sunshine Act Notices in the *Federal Register* for the Federal Advisory Committee Meetings,
- EAC Committee Management Officer (CMO) staff worked with the EAC’s compliance desk officer at the GSA’s Committee Management Secretariat (CMS) to reactivate the EAC’s three advisory Federal Advisory Committee Act (FACA) boards. The process includes: selection of the EAC’s Designated Federal Officers (DFOs); charters and *Federal Register* Notices; notification of charter filings to the U.S. Senate Rules Committee, the Committee on House Administration, and the Library of Congress; posting the charters and TGDC nominations announcement on *eac.gov*, and updating the EAC’s section on the GSA’s FACA website with the new charters and documentation.

Freedom of Information Act (FOIA)

- completed thirteen FOIA requests for the EAC,
- responded to two FOIA requests received by other agencies involving communications between their employees and EAC staff.

Other

- delivered the EAVS report to Congress and issued a news release.
- submitted *Federal Register* Notices for publication of two concurring 30-Day Public Comment Periods for: 1) the EAC Voting System Testing and Certification Program Manual, Version 2.0, and 2) the EAC Voting System Test Laboratory Program Manual, Version 2.0.

Strategic Plan Goal 2: Deliver and manage Federal funds effectively. The anticipated outcome of the goal is for the states and other recipients to promptly and accurately receive Federal funds administered by the EAC, and use the funds appropriately to improve the administration of elections for Federal office in accordance with HAVA.

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

Goal 2 FY 2015 Accomplishments

In FY 2015, the Payments and Grants Management division disbursed \$930,066 to three states certifying compliance with the provisions of HAVA. The division provided technical assistance to and monitored grant and payment recipients who are responsible for establishing and maintaining internal controls that will reasonably ensure compliance with Federal laws, regulations, the provisions of HAVA, and payments and grant agreements. Staff conducted three technical assistance and audit-related visits during the year.

The Payments and Grants Management division reviewed final grant financial and narrative reports. The division closed the Voting System Pre-Election Logic and Accuracy Testing & Post-Election Audit Initiative grants, and the Accessible Voting Technology Initiative grants. Further, staff closed three Office of the Inspector General audits of state use of HAVA funds, and two OMB Circular A-133 single audit reports that presented findings on HAVA funds use in FY 2015.

Strategic Plan Goal 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. The anticipated outcomes for this goal are: 1) that the elections community and other key stakeholders may improve the administration of elections for Federal office based on having pertinent, impartial, high-quality information, recommendations, guides, and other tools on election and voting issues, and 2) that the national mail voter registration form is available to citizens 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.

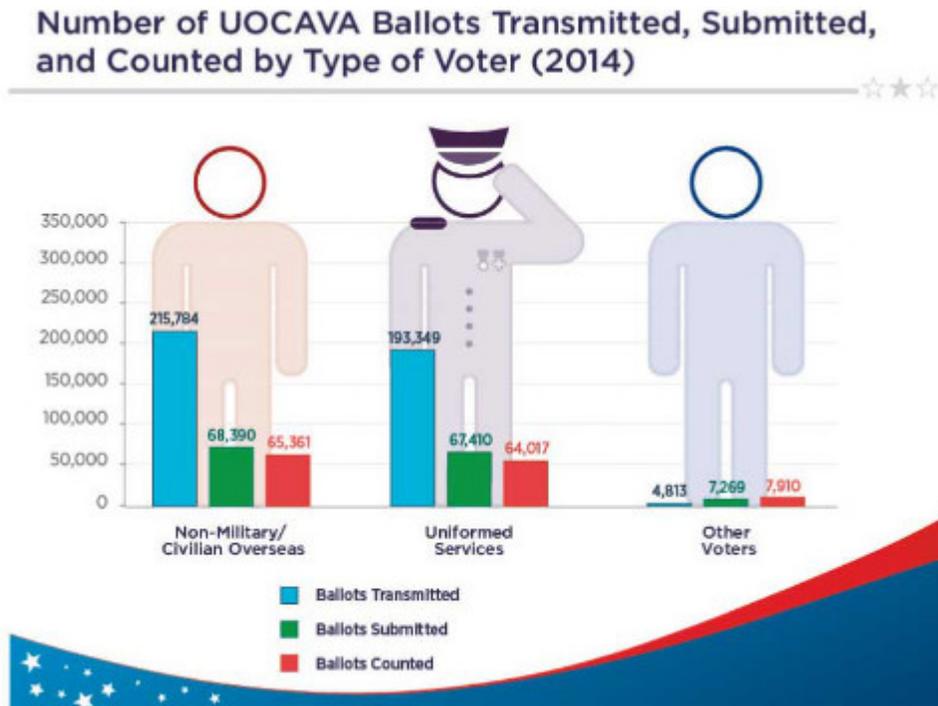
Goal 3 FY 2015 Accomplishments

Research:

- administered the 2014 Election Administration and Voting Survey (EAVS),
- delivered, “The 2014 EAC Election Administration and Voting Survey Comprehensive Report” to Congress on June 30, 2015. The report includes a Summary of Key Findings, a

Election Assistance Commission

- Report on the Impact of the National Voter Registration Act (NVRA) of 1993 on the Administration of Elections for Federal Office, and a Survey of Findings of the Uniformed and Overseas Citizens Absentee Voting Act (UOCAVA),
- made available via the EAC's website (www.eac.gov) the 2014 EAVS data sets, the 2014 Statutory Overview (a compilation of each state's election laws and regulations), and data visualizations of the 2014 mid-term elections, e.g.:



- responded to ongoing inquiries from a variety of stakeholder groups regarding the 2014 EAVS data,
- in March 2015, the EAC Commissioners formally adopted a study and the findings required by the HAVA 241(b)(15) on administering elections in rural and urban areas,
- in August 2015, convened a national Election Data Summit at American University's School of Presidential and Congressional Affairs. The event included a broad range of election officials and academics from throughout the United States. Participants considered best practices and uses of election data, the value to election officials and academics of data in election management, and ways to improve the data collected through the EAVS,
- began planning and collaborating with U.S. Department of Defense Federal Voting Assistance Program (FVAP) on administering the 2016 EAVS.

Policy:

- responded to ongoing inquiries from states regarding the interpretation of various NVRA requirements,
- received and implemented a request from one state to make certain changes to its NVRA state instructions.

Election Assistance Commission

Programs:

- created an EAC Resource Bank toolkit containing 13 new Quick Tip Guides designed to assist election officials with administering elections. The toolkit provides information on a wide range of topics, such as managing change, using election data, employing poll workers, administering provisional ballots, serving UOCAVA Voters, and educating voters. The toolkit also includes Facts on Voting in Federal Elections in seven languages, hyperlinks to certain election administration best practice materials, and a series of guides to help promote discussion around various election administration topics,
- distributed over 300 Quick Start toolkits at state election administrator association conferences held over the summer and early fall of 2015,
- began developing two new Quick Tip Guides related to serving voters with disabilities.
- began a process for updating the Successful Practices for Poll Worker Recruitment, Training and Retention Guidebook. The new guidebook is planned for release for use in the 2016 Federal election cycle,
- began a process for updating the EAC's six foreign language glossaries of election terms.

Strategic Plan Goal 4: Build public confidence in elections by testing and certifying voting systems to improve system accessibility, security, and functionality. The anticipated outcome of the goal is voting equipment that operates more reliably and securely, and is more accessible to individuals with disabilities. States voluntarily participate in the EAC testing and certification program to help ensure that their voting systems meet the Voluntary Voting System Guidelines (VVSG) standards, and voting system manufacturer specifications.

Goal 4 is administered by the Voting System Testing and Certification division.

Goal 4 FY 2015 Accomplishments

In FY 2015 in the area of voting system testing and certification, the EAC:

- certified six voting systems,
- managed testing campaigns for three additional systems (testing was not completed as of the date of this report),
- drafted and published three Requests for Interpretation (RFIs) to the Voluntary Voting System Guidelines (VVSG), and drafted two additional RFI's,
- completed editorial changes and presented for Commission vote (and ultimate adoption), Version 2.0 of both the *Testing & Certification Program Manual*, and the *Voting System Test laboratory Program Manual*,
- completed editorial changes and presented for Commissioner vote (and ultimate adoption), Version 1.1 of the EAC *Voluntary Voting System Guidelines*,
- continued development of state requirements-mapping, and implemented major updates to the EAC's Virtual Review Tool,
- audited one voting system manufacturing facility,
- developed a new series of guidance documents entitled *Managing Election Technology*, and published the first two documents in this series,
- assisted state and local election officials by collecting, and posting on the EAC web site, closed state and local Request for Procurement documents for both voting systems and electronic pollbooks,

Election Assistance Commission

- held an in-person Technology Testing Agreement meeting between EAC, a Voting System Test Laboratory (VSTL) and a non-traditional voting system manufacturer,
- worked with NIST staff on the re-organization of the EAC Technical Guidelines Development Committee (TGDC),
- held an EAC VSTL Meeting and a Voting System Manufacturers Meeting.

Strategic Plan Goal 5 is to implement a high-performance organization. The anticipated outcome of the goal is that the EAC Commissioners and staff proficiently and efficiently carry out the EAC's strategic objectives. The objectives of Goal 5 are to improve performance, strengthen internal controls, and maximize efficiencies.

The measure to obtain an unmodified audit opinion on agency financial statements was achieved in FY 2015. On the performance measure on implementing audit recommendations, to date, only two percent of the 82 operational recommendations remain open. On the metric regarding meeting annual performance measures, management works 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 for: 1) the Agency Financial Report each November, 2) the Annual Performance Report, along with the Congressional Budget Justification, usually in February each year, and 3) actual planned metrics in the OMB Budget Justification each September.

The EAC continues 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 efficient use of staff and financial resources, and training the EAC's staff on financial management processes and their specific, individual responsibilities. Staff completes assessable unit risk assessment questionnaires and individual letters of assurance. The risk assessments and letters are reviewed by the Chief Operating Officer and Acting Executive Director, and the Chief Financial Officer, and rolled into the agency's Annual Statement of Assurance presented in this report.

In FY 2015, the EAC provided financial management tools and support to staff. All staff was offered Appropriations Law training on-site. Agency staff is able to utilize four automated systems (procurement, travel, purchase card, and time and attendance) via interagency agreements. Contracting Officer's Representatives (CORs) were provided accrual training. CORs have access to free online training on invoice approval via the procurement service provider agency.

To improve effectiveness and efficiency, the EAC transferred financial, procurement and travel services to the U.S. Department of Treasury. Treasury is one of the four agencies chosen for the effort to eliminate Federal duplication and enable agencies to direct more resources from administrative expenses to programs. The EAC moved to smaller, open office space (17,548 square feet in FY 2013 to 6,000 square feet in FY 2014), and stores most records electronically or inexpensively at the National Archives and Records Administration Federal Records Center to comply with federal guidelines and to save taxpayers' money. EAC continued its commitment made in October 2010 to reduce staff, and has reassigned functions internally and uses the services of other agencies to obtain efficiencies of scale.

Election Assistance Commission

The agency is set up to participate in telecommuting, which provides the added benefit of equipping the EAC with the ability to deal with any continuity of operations disruptions. Staff are provided with a secure “virtual office” of email data. Personal and shared computer drive files and folders are accessible remotely.

Program Performance Indicators

The following table presents key EAC FY 2015 program performance data. As much detailed performance information as possible will be presented, and variances discussed, in the FY 2015 Annual Performance Report. The performance report will accompany the FY 2017 Congressional Justification.

FY 2015 Performance Summary

Program	Performance Indicator	Type of Indicator	Planned	Actual
Strategic Goal 1: Communicate				
	Regularly issue information on EAC activities	Output	Quarterly press releases	5 press releases, 34 blog posts
	Produce the annual report of EAC activities to Congress by January 31 of each year for the preceding year ending September 30	Output	1/31/15	2/3/15
Strategic Goal 2: Fund and Oversee				
	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 rate negotiation to HHS upon receipt for services via interagency agreement
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				
	Conduct at least one review of a manufacturing facility of a registered manufacturer at least once every 4 years	Output	1	1
	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 2015)

Portfolio Analysis

Since 2004, the 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 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 2015, the

Election Assistance Commission

EAC received appropriations in the Salaries and Expenses appropriation of \$10 million. The appropriation was used for a \$1.9 million transfer to NIST, payroll, travel, rent, telecommunications, printing, contracts, supplies, subscriptions, and equipment.

I.C. FINANCIAL RESULTS

The following analysis is intended to provide information on the EAC's financial results, position, and condition as portrayed in the financial statements and the notes to the statements. Changes in assets, liabilities, costs, revenues, obligations, and outlays are explained; comparisons are made between amounts in FY 2015 to FY 2014; and the relevance of balances and amounts in the financial statements and notes are discussed. The changes provide context as to how the year's activities impacted the agency's financial position.

Budgetary Resources

Budgetary resources are the amounts made available and their status at the end of the fiscal year. The majority of the EAC's available budgetary resources are in the no year Election Reform Program appropriation. Budgetary resources include new Budget Authority from annual Salaries and Expenses appropriations, unpaid obligations, recoveries, offsetting collections, and unobligated balances.

For FY 2015, the available budgetary resources were \$21.0 million, up from \$19.9 million in FY 2014. In FY 2015, EAC's appropriations totaled \$10 million for Salaries and Expenses, including a \$1.9 million non-expenditure transfer to NIST.

Obligations Incurred decreased from \$6.5 million in FY 2014 to \$6.3 million in FY 2015. The decrease was due primarily to the disbursement of FYs 2009 to 2011 Requirements Payments. The Unobligated Balance – Apportioned increased from \$4.2 million in FY 2014 to \$5.1 million in FY 2015.

Financial Position

Assets

EAC had \$22.8 million in total assets (Fund Balance with Treasury; Accounts Receivable; Property, Equipment, and Software; and Other Assets) as of September 30, 2015, down from \$25.9 million in FY 2014. The decrease is largely the result of disbursement of collection of an improper Requirements Payment of \$2.3 million.

Liabilities

EAC had total liabilities (Accounts Payable, accrued salaries and benefits, and unfunded leave) of \$3.5 million as of September 30, 2014 and \$765,867 as of September 30, 2015.

Net Position

Net position (Unexpended Appropriations and Cumulative Results of Operations) decreased in FY 2015 to \$22.0 million from \$22.3 million in FY 2014. Unexpended Appropriations decreased primarily due to disbursement of Requirements Payments.

Results of Operations

The EAC, as presented in the Statement of Net Costs, reports the results of operations within four programs: Communications and Clearinghouse; Fund and Oversee (Grants Management and the Office of the Inspector General; Study, Guide and Assist (Research, Policy, and Programs); and Testing and Certification. Costs specifically identified with each of the programs, such as direct personnel costs and specific program contract expenses, are allocated to the programs directly. The Fund and Oversee program reports the expenditures for the Requirements Payments and the EAC's grants. Other general agency overhead costs, such as rent, information technology, and financial management, are allocated on a per employee basis. The 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.

The Total Net Cost of Operations (expenses in the Salaries and Expenses, and Election Reform Programs appropriations) for the EAC was \$7.7 million for Fiscal Year 2015, down from \$7.9 million in FY 2014.

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). The statements have been prepared from the books and records of the EAC 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 understanding 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

The EAC is subject to numerous legislative and regulatory requirements that promote and support effective internal controls. The 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.

Election Assistance Commission

The EAC has developed and implemented management, administrative and financial system controls with the aim of ensuring that: 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. The EAC ensures that assets are properly acquired and used, and safeguarded to deter theft, accidental loss or unauthorized disposition, and fraud.

Laws that help the 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.

Entity-Wide Security Program

The Office of the Chief Information Officer (OCIO) explores innovations to update and improve network services for security, availability, efficiency, and productivity. For example, the EAC is working with the General Services Administration (GSA) to leverage the GSA's private cloud computing strategy to host the EAC continuity of operations plan (COOP) site.

The EAC operates its own infrastructure, using the GSA's network backbone for its infrastructure for security purposes. The EAC IT staff of two maintains personal computers, smart phones, and servers; provides software requested by the EAC staff, remote access services, Voice Over Internet Protocol and Interactive Voice Response telecommunications tools; and performs vulnerability scans (in addition to the GSA's backbone infrastructure scans). IT staff remediates and updates security patches so that staff are equipped to perform work both on- and off-site in a secure environment. The EAC is in the process of establishing an intranet where policies and procedures can be posted in place of use of a shared drive to improve usability and communications.

GSA manages a firewall, external intrusion detection, T1 lines, and routers and switches for Federal Information Security Management Act (FISMA) compliance on the EAC's behalf. EAC's cyber security management needs are covered by GSA through an annual Memorandum of Understanding for IT services and equipment at approximately \$88,500 for FY 2017. The agreement funds the tools that enable GSA to continuously monitor the EAC's IT systems security as described in OMB M-10-15, *FY 2010 Reporting Instructions for the FISMA and Agency Privacy Management*, dated April 21, 2010. In FY 2015, EAC received a clean opinion on its FISMA audit.

Audit Follow-Up

The EAC's Office of the Inspector General (OIG) conducts audits and reviews of the agency's operations. The Office of the Chief Financial Officer (OCFO) works closely with the EAC management and the OIG to complete actions necessary to respond to audit findings. As of September 30, 2015, the EAC has two open operational recommendations to consider. The EAC made improvements in all Agency management challenges. The 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. 14-02, "Audit Requirements for Federal Financial Statements," the 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 2015 financial statement audit report identified no material weaknesses in internal control over financial reporting.

Federal Information Security Management Act

The EAC was in compliance with the Federal Information Security Management Act at the end of FY 2015.

Inspector General Act Amendments of 1988

The EAC Office of the Inspector General audits HAVA funds administered by recipients of HAVA payments and grants, and transmits to the EAC OMB Circular A-133 single audit reports that present findings on HAVA funds. The principal recipients of HAVA payments and grant funds are state governments.

Annual Assurance Statement on Internal Control

November 16, 2015

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, providing reasonable assurance that the following objectives are being achieved: effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations.

The 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 Operating Officer and Acting Executive Director, Office of the Chief Financial Officer, and program and administrative staff. With respect to assessing internal control designed to ensure the reliability of financial reporting, the EAC is not required by OMB Circular A-123 to perform a separate assessment. The 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 agency risk assessments and letters of assurance over the program offices, financial management offices (accounting, budget, payments and grants, and procurement), and administrative offices. Regarding 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 2015, EAC resolved one material weakness in the effectiveness of its internal control over operations: a \$2.2 million improper payment made in FY 2014 using canceled FY 2008 funds. The EAC submitted the required letter to report the Anti-Deficiency Act violation. The EAC and its financial services provider implemented all recommended internal control improvements, and collected the funds. The auditors found no material weaknesses or significant deficiencies in internal controls over financial management reporting. Further, the auditors found no instances of noncompliance with laws and regulations

The Commission provides an unmodified statement of assurance that the internal control and financial management systems meet the objectives of the Federal Managers' Financial Integrity Act.



Christy A. McCormick
Chairwoman

SECTION II

Financial Section

II.A. MESSAGE FROM THE CHIEF FINANCIAL OFFICER

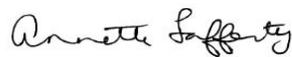
The EAC's financial statements for FY 2015 are an integral component of the Agency Financial Report (AFR). This is the eighth year in its twelve year operational existence that EAC has prepared financial statements and submitted them for audit. This is the seventh year the EAC is presenting an AFR in place of the Performance and Accountability Report. The EAC presents summarized performance data in this report, and plans on providing detailed data in conjunction with the Fiscal Year (FY) 2017 Congressional Justification and FY 2015 Annual Performance Report.

For FY 2015, the EAC received an unmodified audited financial statement opinion, with no material weaknesses. In FY 2015, the agency addressed all financial audit findings and recommendations, improving internal controls. Staff was provided training related to accruals and Appropriations Law. All material weakness remediation work related to an FY 2013 improper payment was completed by September 30, 2015.

In FY 2015, the agency implemented all recommendations related to the Acquisition and Procurement of Goods and Services audit covering Fiscal Years 2009 through 2012. Work with EAC's procurement services provider began on providing onsite supplemental, tailored Contracting Officer's Representatives training for staff. After one year of Internet Payment Platform audits, EAC's financial service provider reported that, "We have been performing monthly post payment audits for a year now and the results are impressive! The system controls are working and your CORs are diligently reviewing their invoices."

Further EAC completed a successful Internal Revenue Service compliance review related to payroll deductions in February 2015.

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



Annette Lafferty
November 16, 2015

II.B. INSPECTOR GENERAL'S ASSESSMENT



U.S. ELECTION ASSISTANCE COMMISSION

OFFICE OF INSPECTOR GENERAL
1335 East West Highway - Suite 4300
Silver Spring, MD 20910

November 12, 2015

Memorandum

To: Ms. Alice Miller
Acting Executive Director

From: Roger La Roche 
Deputy Inspector General, U.S. Election Assistance Commission

Subject: Audit Report of the U.S. Election Assistance Commission's Financial Statements for Fiscal Years 2015 and 2014 (Assignment No. I-PA-EAC-01-15)

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 Brown & Company CPAs, PLLC (Brown & Company) performed the audit of the EAC's financial statements as of September 30, 2015 and for the year then ended. The audit was performed by Brown & Company 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; Office of Management and Budget (OMB) Bulletin 14-02, *Audit Requirements for Federal Financial Statements*; and the Financial Audit Manual of the Government Accountability Office/President's Council on Integrity and Efficiency.

Results of Audit

In Brown & Company's opinion, the financial statements present fairly, in all material respects, the financial position of EAC as of September 30, 2015, and its net costs, changes in net position, budgetary resources, and custodial activity for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

In its response to the draft audit report, EAC agreed with the facts stated in the report and the audit results.

Evaluation of Brown & Company's Audit Performance

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

- Reviewed Brown & Company'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 Brown & Company's audit report;
- Performed other procedures we deemed necessary; and
- Coordinated issuance of the audit report.

Brown & Company, CPAs 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 OIG appreciates the courtesies and cooperation EAC extended to Brown & Company and the OIG during the audit. If you, or your staff, have any questions, please contact me at (301) 734-3106.

Attachment

II.C. INDEPENDENT AUDITOR'S REPORT



BROWN & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS, PLLC

INDEPENDENT AUDITOR'S REPORT

U.S. Election Assistance Commission
Silver Spring, MD

Report on the Financial Statements

We have audited the accompanying balance sheet of the U.S. Election Assistance Commission (EAC) as of September 30, 2015 and 2014, and the related statements of net cost, changes in net position, budgetary resources, and custodial activity for the year then ended (collectively referred to as the financial statements), 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 U.S. generally accepted accounting principles; 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 these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted government auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Office of Management and Budget (OMB) Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 15-02, require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

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, 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 an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit includes test of compliance with provisions of applicable laws, regulations, contracts, and grant agreements that have a direct effect on the determination of material amounts and disclosure in the financial statements. The purpose was not to provide an opinion on compliance with provisions of applicable laws, regulations, contracts and grant agreements and, therefore, we do not express such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the Financial Statements

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of EAC as of September 30, 2015 and 2014, and its net costs, changes in net position, budgetary resources, and custodial activity for the years then ended, in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the information in the *Management's Discussion and Analysis* (MD&A) and *Required Supplementary Information* (RSI) sections 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, 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 in accordance with U.S. generally accepted government auditing standards, 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 basic financial statements, and other knowledge we obtained during our audit of the basic 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.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. *The Message From The Chairwoman, Message From The CFO* and the Other Information sections are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered EAC's internal control over financial reporting (internal control) to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of providing an opinion on internal control. Accordingly, we do not express such an opinion.

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 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. During the audit of the financial statements, no deficiencies in internal control were identified that were considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether EAC's financial statements are free from material misstatement, we performed tests of its compliance with applicable provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. We limited our tests of compliance to the provisions described in the preceding sentence, and we did not test compliance with all laws, regulations and contracts applicable to EAC. The objective was not to provide an opinion on compliance with provisions of laws, regulations, contracts and grant agreements and therefore, we do not express such an opinion. The results of our tests disclosed no instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* or OMB Bulletin No. 15-02.

Management's Responsibility for Internal Control and Compliance

EAC's management is responsible for (1) evaluating effectiveness of internal control over financial reporting based on criteria established under the Federal Managers Financial Integrity Act (FMFIA), (2) providing a statement of assurance on the overall effectiveness of internal control over financial reporting, and (3) ensuring compliance with other applicable laws and regulations.

Auditor's Responsibilities

We are responsible for (1) obtaining a sufficient understanding of internal control over financial reporting to plan the audit, (2) testing compliance with certain provisions of laws and regulations that have a direct and material effect on the financial statements and applicable laws for which OMB Bulletin 15-02 requires testing, and (3) applying certain limited procedures with respect to the MD&A and other RSI.

We did not evaluate all internal controls relevant to operating objectives as broadly established by the FMFIA, such as those controls relevant to preparing statistical reports and ensuring efficient operations. We limited our internal control testing to testing internal control over financial reporting. Because of inherent limitations in internal control, misstatements due to error or fraud, losses, or noncompliance may nevertheless occur and not be detected. We also caution that projecting our audit results to future periods is subject to risk that controls may become inadequate because of changes in conditions or that the degree of compliance with controls may deteriorate. In addition, we caution that our internal control testing may not be sufficient for other purposes.

We did not test compliance with all laws and regulations applicable to EAC. We limited our tests of compliance to certain provisions of laws and regulations that have a direct and material effect on the financial statements and those required by OMB Bulletin 15-02 that we deemed applicable to EAC's financial statements for the fiscal year ended September 30, 2015. We caution that noncompliance with laws and regulations may occur and not be detected by these tests and that such testing may not be sufficient for other purposes.

Status of Prior Year's Control Deficiencies and Noncompliance Issues

We have reviewed the status of EAC's corrective action plan with respect to the findings included in the prior year's Independent Auditors' Report, dated November 3, 2014. The status of prior year is presented in Section I.

BROWN & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS, PLLC

Purpose of the Report on Internal Control over Financial Reporting and the Report on Compliance and Other Matters

The purpose of the Report on Internal Control over Financial Reporting and the Report on Compliance and Other Matters sections of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of EAC's internal control or on compliance. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering EAC's internal control and compliance. Accordingly, these reports are not suitable for any other purpose.

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



Largo, Maryland
November 12, 2015

SECTION I Status of Prior Year Recommendations

Finding No.	Finding	FY 2013 Recommendation	Status
1	Significant Uncertainties Relating to Transactions Recorded in a FY 2008 Appropriation and Reported in the 2013 Financial Statements	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.	Closed.

II.D. FINANCIAL STATEMENTS

**ELECTION ASSISTANCE COMMISSION
BALANCE SHEET
AS OF SEPTEMBER 30, 2015 AND 2014
(In Whole Dollars)**

	2015	2014
Assets:		
Intragovernmental		
Fund Balance With Treasury	\$ 21,932,149	\$ 22,151,806
Loans Receivable	-	-
Other	363,506	531,739
Total Intragovernmental	22,295,655	22,683,545
Accounts Receivable, Net	(30)	2,283,930
Property, Equipment, and Software, Net	500,906	893,101
Other	-	-
Total Assets	\$ 22,796,531	\$ 25,860,576
Stewardship PP&E		
Liabilities:		
Intragovernmental		
Accounts Payable	\$ 89,124	\$ 518,507
Other	22,091	27,979
Total Intragovernmental	111,215	546,486
Accounts Payable	104,271	211,356
Other	550,381	2,770,121
Total Liabilities	\$ 765,867	\$ 3,527,963
Commitments and Contingencies		
Net Position:		
Unexpended Appropriations - Funds from Dedicated Collections	\$ -	\$ -
Unexpended Appropriations - Other Funds	\$ 21,761,683	\$ 21,657,604
Cumulative Results of Operations - Funds from Dedicated Collections	-	-
Cumulative Results of Operations - Other Funds	268,981	675,009
Total Net Position	\$ 22,030,664	\$ 22,332,613
Total Liabilities and Net Position	\$ 22,796,531	\$ 25,860,576

**ELECTION ASSISTANCE COMMISSION
STATEMENT OF NET COST
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2015 AND 2014
(In Whole Dollars)**

	2015	2014
Program Costs:		
Communications and Clearinghouse Gross Costs	\$ 753,62	\$ 716,562
Fund and Oversee Gross Costs	\$ 3,354,32	\$ 3,578,663
Research, Policy, and Programs Gross Costs	\$ 1,209,79	\$ 1,294,209
Testing and Certifications Gross Costs	\$ 2,348,90	\$ 2,273,479
Net Cost of Operations	\$ 7,666,64	\$ 7,862,913

ELECTION ASSISTANCE COMMISSION
STATEMENT OF CHANGES IN NET POSITION
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2015 AND 2014
(In Whole Dollars)

	2015	2014
Cumulative Results of Operations:		
Beginning Balances	\$ 675,009	\$ 1,038,147
Adjustments		
Changes In Accounting Principles	-	-
Corrections of Errors	-	-
Beginning Balances, as Adjusted	675,009	1,038,147
Budgetary Financing Sources:		
Other Adjustments	-	-
Appropriations Used	7,021,479	7,276,848
Nonexchange Revenue	-	-
Donations and Forfeitures of Cash and Cash Equivalents	-	-
Transfers In/Out Without Reimbursement	-	-
Other	-	-
Other Financing Sources (Non-Exchange):		
Donations and Forfeitures of Property	-	-
Transfers In/Out Reimbursement	-	-
Imputed Financing Sources	239,136	222,927
Other	-	-
Total Financing Sources	7,260,615	7,499,775
Net Cost of Operations	(7,666,643)	(7,862,913)
Net Change	(406,028)	(363,138)
Cumulative Results of Operations	\$ 268,981	\$ 675,009
Unexpended Appropriations:		
Beginning Balances	\$ 21,657,604	\$ 21,820,863
Adjustments		
Changes In Accounting Principles	-	-
Corrections of Errors	-	-
Beginning Balances, as Adjusted	21,657,604	21,820,863
Budgetary Financing Sources:		
Appropriations Received	10,000,000	10,000,000
Appropriations Transferred In/Out	(1,900,000)	(1,900,000)
Other Adjustments	(974,442)	(986,411)
Appropriations Used	(7,021,479)	(7,276,848)
Total Budgetary Financing Sources	104,079	(163,259)
Total Unexpended Appropriations	\$ 21,761,683	\$ 21,657,604
Net Position	\$ 22,030,664	\$ 22,332,613

ELECTION ASSISTANCE COMMISSION
STATEMENT OF BUDGETARY RESOURCES
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2015 AND 2014
(In Whole Dollars)

	2015	2014
Budgetary Resources:		
Unobligated Balance Brought Forward, October 1	\$ 13,476,424	\$ 11,873,513
Adjustment to Unobligated Balance Brought Forward, October 1	-	-
Unobligated Balance Brought Forward, October 1, as adjusted	13,476,424	11,873,513
Recoveries of Prior Year Unpaid Obligations	370,805	955,053
Other changes in unobligated balance	(974,442)	(986,412)
Unobligated balance from prior year budget authority, net	12,872,787	11,842,154
Appropriations	8,100,000	8,100,000
Borrowing authority	-	-
Contract Authority	-	-
Spending authority from offsetting collections	23,727	1,012
Total Budgetary Resources	\$ 20,996,514	\$ 19,943,166
Status of Budgetary Resources:		
Obligations Incurred	\$ 6,273,134	\$ 6,466,742
Unobligated balance, end of year:		
Apportioned	5,121,218	4,241,385
Exempt from apportionment	-	-
Unapportioned	9,602,162	9,235,039
Total unobligated balance, end of year	14,723,380	13,476,424
Total Budgetary Resources	\$ 20,996,514	\$ 19,943,166
Change in Obligated Balance		
Unpaid Obligations:		
Unpaid Obligations, Brought Forward, October 1	\$ 8,675,382	\$ 15,901,439
Adjustment to Unpaid Balance, Start of Year	-	-
Obligations Incurred	6,273,134	6,466,742
Outlays (gross)	(7,368,942)	(12,737,746)
Actual transfers, unpaid obligations	-	-
Recoveries of Prior Year Unpaid Obligations	(370,805)	(955,053)
Unpaid Obligations, End of Year (Gross)	7,208,769	8,675,382
Uncollected payments:		
Uncollected Customer Payments, Federal Sources, Brought Forward, October 1	-	-
Adjustment to Uncollected Customer Payments, Federal Sources, Start of Year	-	-
Change in Uncollected Customer Payments, Federal Sources	-	-
Actual transfers, uncollected customer payments, Federal Sources	-	-
Uncollected Customer Payments, Federal Sources, End of Year	-	-
Memorandum entries:		
Obligated Balance, Start of Year	\$ 8,675,382	\$ 15,901,439
Obligated Balance, End of Year	\$ 7,208,769	\$ 8,675,382

Budget Authority and Outlays, Net:		
Budget authority, gross	\$ 8,123,727	\$ 8,101,012
Actual offsetting collections	(23,727)	(1,012)
Change in uncollected customer payments from Federal sources	-	-
Anticipated offsetting collections	\$ -	\$ -
Budget Authority, net	\$ 8,100,000	\$ 8,100,000
Outlays, gross	\$ 7,368,942	\$ 12,737,746
Actual offsetting collections	(23,727)	(1,012)
Outlays, net	7,345,215	12,736,734
Distributed Offsetting Receipts	-	-
Agency outlays, net	\$ 7,345,215	\$ 12,736,734

**ELECTION ASSISTANCE COMMISSION
STATEMENT OF CUSTODIAL ACTIVITY
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2015 AND 2014
(In Whole Dollars)**

	2015	2014
Revenue Activity:		
Sources of Cash Collections:		
Individual Income and FICA/SECA Taxes	\$ -	\$ -
Corporate Income Taxes		
Excise Taxes		
Estate and Gift Taxes		
Federal Unemployment Taxes		
Customs Duties		
Miscellaneous	2,266,086	1,265
Total Cash Collections	2,266,086	1,265
Accrual Adjustments	(2,266,085)	2,266,085
Total Custodial Revenue	1	2,267,350
Disposition of Collections:		
Transferred to Others (by Recipient)	1	1,265
Increase/(Decrease) in Amounts Yet to be Transferred	-	2,266,085
Refunds and Other Payments	-	-
Retained by the Reporting Entity	-	-
Net Custodial Activity	\$ -	\$ -

I.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.

By statute, four EAC commissioners are appointed by the President and confirmed by the United States Senate. The Agency currently has three commissioners. 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 that have already occurred.

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% for the 1st quarter of FY 2014 and 100% thereafter.

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 (FEGLIP) 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 2015 and 2014 to the extent directed by accounting standards.

O. Grants

The EAC administers and oversees the grant making process in connection with federal Requirement Payments and grants made to recipient organizations and the HAVA. As Requirement 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, 2015 and 2014, were as follows:

	2015	2014
Fund Balances:		
Appropriated Funds	\$21,932,149	\$22,151,806
Other Fund Types	-	-
Total	\$21,932,149	\$22,151,806
Status of Fund Balance with Treasury:		
Unobligated Balance		
Available	\$5,121,218	\$4,241,385
Unavailable	9,602,162	9,235,039
Obligated Balance Not Yet Disbursed	7,208,769	8,675,382
Non-Budgetary FBWT	-	-
Total	\$21,932,149	\$22,151,806

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, 2015 and 2014, were as follows:

	2015	2014
Intragovernmental		
Accounts Receivable	\$ -	\$ -
With the Public		
Accounts Receivable	-	2,283,723
Employee Receivables	(30)	207
Total Accounts Receivable	\$ (30)	\$ 2,283,930

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, 2015 and 2014.

NOTE 4. ADVANCES AND PREPAYMENTS

Advances and Prepayments balances as of September 30, 2015 and 2014, were as follows:

	2015	2014
Intragovernmental		
Advances and Prepayments	\$363,506	\$531,739
With the Public		
Advances and Prepayments	-	-
Total Other Assets	\$363,506	\$531,739

NOTE 5. PROPERTY, EQUIPMENT, AND SOFTWARE

Schedule of Property, Equipment, and Software as of September 30, 2015:

Major Class	Acquisition Cost	Accumulated Amortization/ Depreciation	Net Book Value
Leasehold Improvements	\$1,203,003	\$928,114	\$274,889
Furniture & Equipment	902,626	766,758	135,868
Software	172,721	162,464	10,257
Construction-in-Progress	-	N/A	-
Software-in-Development	79,892	N/A	79,892
Total	\$2,358,242	\$1,857,336	\$500,906

Schedule of Property, Equipment, and Software as of September 30, 2014:

Major Class	Acquisition Cost	Accumulated Amortization/Depreciation	Net Book Value
Leasehold Improvements	\$771,037	\$697,175	\$73,862
Furniture & Equipment	902,626	638,650	263,976
Software	172,721	127,918	44,803
Construction-in-Progress	434,793	N/A	434,793
Software-in-Development	75,667	N/A	75,667
Total	\$2,356,844	\$1,463,743	\$893,101

Depreciation expense was \$393,592 and \$294,705 for the twelve months ending September 30, 2015 and 2014, respectively.

NOTE 6. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The liabilities for EAC as of September 30, 2015 and 2014, include liabilities not covered by budgetary resources. Congressional action is needed before budgetary resources can be provided. Future appropriations to fund these liabilities are likely and anticipated.

	2015	2014
Intragovernmental – FECA	\$234	\$234
Intragovernmental – Unemployment Insurance	-	5,536
Unfunded Leave	236,261	230,166
Total Liabilities Not Covered by Budgetary Resources	\$236,495	\$235,936
Total Liabilities Covered by Budgetary Resources	529,372	3,292,027
Total Liabilities	\$765,867	\$3,527,963

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

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, 2015 were as follows:

Election Assistance Commission

	Current		Non Current		Total
Intragovernmental					
FECA Liability	\$738	\$	-		\$738
Unemployment Insurance Liability	-		-		-
Payroll Taxes Payable	21,353		-		21,353
Total Intragovernmental Other Liabilities	\$22,091	\$	-		\$22,091

With the Public					
Payroll Taxes Payable	\$3,100	\$	-		\$3,100
Accrued Funded Payroll and Leave	103,336		-		103,336
Unfunded Leave	236,261		-		236,261
Custodial Liability	-		-		-
Other Liabilities w/related Budgetary Ob	207,684		-		207,684
Total Public Other Liabilities	\$550,381	\$	-		\$550,381

Other liabilities account balances as of September 30, 2014 were as follows:

	Current		Non Current		Total
Intragovernmental					
FECA Liability	\$738	\$	-		\$738
Unemployment Insurance Liability	10,921		-		10,921
Payroll Taxes Payable	16,320		-		16,320
Total Intragovernmental Other Liabilities	\$27,979	\$	-		\$27,979

With the Public					
Payroll Taxes Payable	\$2,398	\$	-		\$2,398
Accrued Funded Payroll and Leave	67,751		-		67,751
Unfunded Leave	230,166		-		230,166
Custodial Liability	2,266,085		-		2,266,085
Other Liabilities w/related Budgetary Ob	203,721		-		203,721
Total Public Other Liabilities	\$2,770,121	\$	-		\$2,770,121

NOTE 8. LEASES

EAC has no capital leases. EAC relocated from its headquarters office located at 1201 New York Avenue NW, Suite 300, Washington, DC, on November 1, 2013. EAC also ended the lease for additional space at 1225 New York Avenue NW, Washington, DC, at the same time. EAC entered into a new lease for its headquarters office located at 1335 East-West Highway, Silver Spring, MD, which expires on or around November 1, 2018.

Schedule of Future Lease Payments:

Fiscal Year	Building	Totals
2015	234,472	234,472
2016	236,267	236,267
2017	238,100	238,100
2018	19,863	19,863
2019	-	-
Total Future Payments	\$ 728,702	\$ 728,702

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

NOTE 9. INTRA-GOVERNMENTAL COSTS AND EXCHANGE REVENUE

Intra-governmental 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:

	2015	2014
Communications and Clearinghouse		
Intragovernmental Costs	\$190,573	\$199,678
Public Costs	563,051	516,884
Total Costs	753,624	716,562
Fund and Oversee		
Intragovernmental Costs	\$848,225	\$997,236
Public Costs	2,506,098	2,581,427
Total Costs	3,354,323	3,578,663
Research, Policy, and Programs		
Intragovernmental Costs	\$305,927	\$360,646
Public Costs	903,868	933,563
Total Costs	1,209,795	1,294,209
Testing and Certification		
Intragovernmental Costs	\$593,979	\$633,532
Public Costs	1,754,922	1,639,947
Total Costs	2,348,901	2,273,479
Total Intragovernmental costs	1,938,704	2,191,092
Total Public costs	5,727,939	5,671,821
Total Net Cost	\$7,666,643	\$7,862,913

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

The President’s Budget that will include Fiscal Year 2015 actual budgetary execution information has not yet been published. The President’s Budget is scheduled for publication in February 2016 and can be found at the OMB Web site: <http://www.whitehouse.gov/omb/>. The 2016 Budget of the United States Government, with the "Actual" column completed for 2014, has been reconciled to the Statement of Budgetary Resources and there were no material differences.

The budget that includes the Fiscal Year 2014 actual execution information is as follows:

FY2014	Budgetary Resources	Obligations Incurred	Net Outlays
Statement of Budgetary Resources	\$19,943,166	\$6,466,742	\$12,736,734
Spending Authority from Offsetting			
Collections	1,012		
Unobligated Balance Not Available	9,235,039		
Rounding	(2,707,115)	(466,742)	(736,734)
Budget of the U.S. Government	\$8,000,000	\$6,000,000	\$12,000,000

NOTE 11. APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED

Obligations incurred and reported in the Statement of Budgetary Resources in 2015 and 2014 consisted of the following:

	2015	2014
Direct Obligations, Category B	\$6,273,134	\$6,466,742
Total Obligations Incurred	\$6,273,134	\$6,466,742

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 twelve months ended September 30, 2015 and 2014, budgetary resources obligated for undelivered orders are as follows:

	2015	2014
Undelivered Orders	\$7,038,302	\$8,181,178
Total Undelivered Orders	\$7,038,302	\$8,181,178

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.

Election Assistance Commission

	2015	2014
Resources Used to Finance Activities		
Budgetary Resources Obligated		
Obligations Incurred	\$6,273,134	\$6,466,742
Spending Authority from Offsetting Collections and Recoveries	(394,532)	(956,065)
Obligations Net of Offsetting Collections and Recoveries	5,878,602	5,510,677
Other Resources		
Transfers in/out Without Reimbursement	-	-
Imputed Financing from Costs Absorbed by Others	239,136	222,927
Net Other Resources Used to Finance Activities	239,136	222,927
Total Resources Used to Finance Activities	6,117,738	5,733,604
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	1,149,218	1,745,486
Total Resources Used to Finance the Net Cost of Operations	7,266,956	7,479,090
Generate Resources in the Current Period	399,687	383,823
Net Cost of Operations	\$7,666,643	\$7,862,913

NOTE 14. REQUIREMENT 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.

	2015	2014
FY 2009 Section 251 Requirement Payments	\$ 500,000	\$ 2,070,509
FY 2010 Section 251 Requirement Payments	350,000	1,449,356
FY2011 Section 251 Requirement Payments	80,066	172,994
Accessible Voting Technology	-	2,429,159
Logic and Accuracy Grant Program	(17,638)	236,499
Net Cost of Operations	\$ 912,428	\$ 6,358,517

During FY 2015, EAC received a Logic and Accuracy Grant payment refund in the amount of \$17,638. There were no offsetting requirement payments during that period.

NOTE 15. CUSTODIAL CASH COLLECTIONS

During October 2013, Election Assistance Commission (EAC) disbursed a \$2.2 million Requirements payment as part of section 251 of the Help America Vote Act (HAVA). The payment was made against funds that cancelled September 2013. EAC collected the improper payment through Treasury Offset in June, 2015.

	2015	2014
Miscellaneous	\$2,266,086	\$1,265
Total Cash Collections	\$2,266,086	\$1,265

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.

The following chart shows expenditures using Federal HAVA funds for voting and voting-related equipment, as well as applied voting research by states and other agency recipients of grants and payments funds. Amounts are reported in the fiscal year proceeding the year the expense was incurred.

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Section 102 Funds	\$ 19,905,709	\$ 36,838,905	\$ (163,130)	\$90,122	\$137,401	\$ (267,813)	\$ (10,769)
Section 251 Funds	262,018,224	143,247,989	104,356,159	40,410,437	43,417,090	168,169,476	75,586,153
Total	\$281,923,933	\$180,086,894	\$104,193,029	\$40,500,559	\$43,554,491	\$167,901,663	\$75,575,384

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.

Section 251 Funds. The HAVA Section 251 Requirements Payments are used to meet the requirements of Title III and improve the quality of Federal elections. As such, Requirements Payments have been used in part to purchase physical property, and to provide funds to the states to carry out other activities to improve the administration of Federal elections.

Research and Development

The EAC had two research and development initiatives completed in FY 2014. The initiatives provided 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.

Accessible Voting Technology Initiative. The EAC awarded \$7.5 million in grants for three three-year grants to fund research to identify and develop technological and administrative solutions that help ensure that all citizens can vote privately and independently, a requirement of HAVA (42 U.S.C. 15441). The initiative supported research and development activities to increase the accessibility of new, existing, and emerging technological solutions in areas such as assistive technologies, interoperability, and design of voting systems. One of the grants provided data on accommodations and assistance needed for recently injured military personnel to participate in Federal elections. The initiative resulted in over 45 research and development proposals.

Pre-Election Logic and Accuracy and Post-Election Audit Grant Program. The EAC awarded \$1.4 million in grant funds to develop and document processes and best practices for coordinating quality and cost-effective voting system pre-election logic and accuracy testing, and post-election audits. Funds supported the research, development, documentation, and dissemination of a range of procedures and processes used in managing and conducting high quality Logic and Accuracy testing and post-election audit activities by type of voting method, vendor specific equipment, jurisdiction size, and other ways.

	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015
Accessible Voting Technology Initiative	\$ 270,011	\$ 1,630,476	\$ 2,809,602	\$ 2,429,159	\$ -
Logic and Accuracy	-	275,040	485,600	236,499	(17,638)
Total	\$ 270,011	\$1,905,516	\$3,295,202	\$2,665,658	\$(17,638)

SECTION III

Other Accompanying Information

III.A. Most Serious Management Challenges Facing the EAC



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

October 13, 2015

Memorandum

To: Alice Miller
Acting Executive Director

From: Roger La Roche 
Deputy 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 the areas which the Office of Inspector General considers to be the most serious management and performance challenges facing the U.S. Election Assistance Commission. We compiled this list based upon our audit, inspection and evaluation work; and general knowledge of the agency's operations.

This year's management challenges are the same as last year: (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 contact me at (301) 734-3106 or at rlarouche@eac.gov.

Attachment

cc: Chair, U.S. Election Assistance Commission



U.S. ELECTION ASSISTANCE COMMISSION
OFFICE OF INSPECTOR GENERAL

U.S. ELECTION ASSISTANCE COMMISSION MAJOR 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 2015, 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

CHALLENGE 1: PERFORMANCE MANAGEMENT AND ACCOUNTABILITY - ISSUED IN 2008

In February of 2008, the OIG issued a report that identified long-standing and overarching weaknesses related to EAC operations. The assessment disclosed that the EAC needed 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.



U.S. ELECTION ASSISTANCE COMMISSION
OFFICE OF INSPECTOR GENERAL

Effective management and accountability are integral to any operation and must start with senior management. At the EAC, direction and management are carried out by four full-time commissioners and an executive director. Generally, the commissioners establish policy and the executive director carries out policy by administering the day-to-day operations of the organization. The Help America Vote Act requires that any action of the commissioners be carried out by the approval (vote) of at least three. For almost five years through December 2014, EAC has lacked a quorum. Thus, critical businesses; including holding formal public meetings, adopting new policy and plans, issuing formal advisory opinions, accrediting EAC Voting System Test Laboratories, acting on appeals of voting system certification denials or revocations, and modifying or updating the Voluntary Voting System Guidelines; have not been carried out. Furthermore, EAC has persevered without an executive director since October 2011. These conditions and some confusion over the roles and responsibilities of the commissioners and the executive director have resulted in a lack of leadership, an inability of EAC to focus on key duties, a failure to hold people accountable, and a decline in staff morale.

EAC's Progress

Progress has been made. The Senate confirmed three new commissioners who were sworn-in on January 13, 2015. The Commissioners issued new policy in February which (1) defines the Commission and its duties, (2) provides for the division of duties regarding policy making and day-to-day operations, and (3) establishes an order of succession in the case of key vacancies. Also, the Commissioners obtained a high-level review which covered EAC's organization and mission, and selected other matters.

Further action is needed. This includes completing the process to hire an executive director and a general counsel; obtaining input from key stakeholders on EAC mission, goals, and objectives and how to achieve them; revising the strategic plan; assessing the organization structure; identifying skill sets needed to meet strategic goals and objectives; crafting a staffing plan; and evaluating draft policies and procedures.

CHALLENGE 2: RECORDS MANAGEMENT - ISSUED IN 2010

Maintaining complete and accurate records of the operations, policies, procedures and practices are critical to effective agency performance. Furthermore, retention of government records is mandated by federal law. Without these records, an agency cannot retain an institutional knowledge. In that regard, since its inception in December 2003, the EAC has seen eight commissioners, two general counsels, and program directors come and go.



U.S. ELECTION ASSISTANCE COMMISSION
OFFICE OF INSPECTOR GENERAL

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 or any emails from the previous grants director under whose administration the grant was awarded. In addition, 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 lack of an approved system for records retention leaves the EAC vulnerable to suit by information requesters and susceptible to waste, fraud, or abuse of its resources and the intentional destruction of government records in violation of federal law. The EAC should expeditiously take steps to adopt a records management system, obtain approval of that system from the National Archives and Records Administration (NARA), and train its staff on the proper retention of federal government records.

EAC's Progress

EAC completed the records retention schedules for Human Resources, the Office of General Counsel, Chief Financial Officer, and Grants and Communications on February 15, 2015, and submitted the schedules to NARA. The schedule for the Research Division is in the development stages and will be submitted by December 15, 2015. The schedule for Testing and Certification was submitted to and returned by NARA for wording changes. The target for resubmission is also December 15, 2015. Finally, EAC has begun to plan for a system to organize and archive EAC emails.

III.B. THE 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: Roger La Rouché
Deputy Inspector General

From: Alice Miller
Chief Operating Officer and Acting Executive Director

Date: October 21, 2015

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

In the area of performance management and accountability, the Election Assistance Commission (EAC) would like to clarify that in February 2015, the Commissioners revised the Roles and Responsibilities document adopted in September 2008. The revision was made to ensure that future lapses in the functioning of the agency's advisory boards do not occur.

The EAC concurs with the statement that the Commissioners obtained a high-level review of the agency's organization and mission, and that the review included organization and mission. Other matters included staffing, restructuring, and work rules.

Regarding further action recommended for this challenge, the areas mentioned in the statement are in the purview of the Commissioners. It should be noted that the Commissioners have completed the interview processes for the hire of an Executive Director and General Counsel, and are in the process of making hiring decisions. Further, the Commissioners have spent a great deal of time meeting with the election community: EAC's Standards Board and Board of Advisors; state and local elections staff; national and international election associations; academics; computer scientists; electrical and electronics engineers; the Federal Voting Assistance Program; voting system manufacturers; and advocacy groups. The meetings have resulted in a broad range of information gathering that has provided for the development of setting goals tied to the mandates of the agency and assisting election officials.

The second outstanding major challenge is a records retention schedule for EAC. EAC’s assigned Archivist from the National Archives and Records Administration determined, based on her review, that the vast majority of the agency records are within the General Records Schedule (GRS). As such, Human Resources, Chief Financial Officer, Grants, Commissioners/Executive Office (which includes Chief Operating Officer and Executive Director), Chief Information Officer, General Counsel, Inspector General, and National Voter Registration Act records are completed. The EAC concurs with the status of the records for Communications, Research, and Testing and Certification, and with the statement on the plan for organizing and archiving EAC emails.

-2-

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 2015, the 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 2015 FINANCIAL STATEMENT AUDIT						
Audit Opinion		Unmodified				
Material Weaknesses		Beginning Balance	New	Resolved	Consolidated	Ending Balance
Financial Accounting & Reporting		1		1	0	0
Total Material Weaknesses		1		1	0	0
Summary of Management Assurances						
Statement of Assurance (FMFIA § 2)		Unmodified				
No.	Summary	Beginning Balance	New	Resolved	Consolidated	Ending Balance
1	Material Weaknesses (FMFIA § 2)	1			0	0
	Total	1			0	0

Note: in FY 2014, the FMFIA § 2 referred to two non-financial operational audit recommendations and have been removed for FY 2015.

