

SEMIANNUAL REPORT TO CONGRESS

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



*For the Period:
April 1, 2012, through
September 30, 2012*

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



U.S. Election Assistance Commission
Office of Inspector General



1201 New York Ave. NW – Suite 300
Washington, DC 20005

October 31, 2012

To: Acting Executive Director, U.S. Election Assistance Commission

The Inspector General Act of 1978 (Public Law 95-452), as amended, calls for the preparation of semiannual reports to the Congress summarizing the activities of the Office of Inspector General (OIG) for the six-month periods ending each March 31st and September 30th. I am pleased to enclose the report for the period from April 1, 2012 to September 30, 2012.

The Act requires that you transmit the report to the appropriate committees of the Congress within 30 days of receipt, together with any comments you may wish to make. Comments that you might offer should be included in your management report that is required to be submitted along with the Inspector General's report.

Working together, I believe we have taken positive steps to improve Commission programs and operations.

Sincerely,

A handwritten signature in blue ink that reads "Curtis W. Crider".

Curtis W. Crider
Inspector General



U.S. Election Assistance Commission
Office of Inspector General

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U.S. Election Assistance Commission
Office of Inspector General

Election Assistance Commission Profile

The U.S. Election Assistance Commission (EAC or Commission) is a bipartisan, independent commission consisting of four members. The Help America Vote Act of 2002 specifies that commissioners are nominated by the President on recommendations from the majority and minority leadership in the U.S. House and U.S. Senate. Once confirmed by the full Senate, commissioners may serve two consecutive terms and no more than two commissioners may belong to the same political party. There are four vacancies on the commission.

The EAC mission is to assist states with improving the administration of elections for Federal office. The EAC accomplishes this mission by providing funding, innovation, guidance and information to be used by the states to purchase voting equipment, train election personnel, and implement new election programs. The EAC has awarded approximately \$3.25 billion in grant funding to the 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, Guam and American Samoa (hereinafter referred to as “states”). With those funds, the states have purchased voting equipment, established statewide voter registration lists, implemented provisional voting, educated voters, trained officials and poll workers, improved polling places, and recruited poll workers.

HAVA made EAC responsible for the federally run testing and certification program for voting systems. Through this program, the EAC develops standards for voting equipment, accredits laboratories, and reviews and certifies voting equipment based upon the tests performed by the accredited laboratories.

The EAC is responsible for administering the National Voter Registration Act (NVRA) by promulgating regulations for the content and use of the National Mail Voter Registration form.

Office of Inspector General Profile

HAVA required the appointment of an inspector general for the EAC and amended the Inspector General Act (IG Act) of 1978 (5 U.S.C.A. App. 3) to identify the EAC as a designated Federal entity (DFE). The Commission appointed its first permanent inspector general in August 2006.

The OIG has always been a very small office. Other agencies have provided assistance by detailing employees; we have contracted independent CPA firms to conduct audits, and, finally, hiring permanent staff. The OIG currently has two employees: inspector general and an assistant inspector general for audits.

Despite our small size, we perform all of the duties required of the inspector general under the IG Act, including:

- Conducting and supervising audits, investigations, and other services (e.g., evaluations) relating to the programs and operations of the EAC;
- Providing leadership and coordination and recommending actions to management, which (1) promote economy, efficiency, and effectiveness in agency programs and operations; and (2) prevent and detect fraud, waste, abuse, and mismanagement of government resources; and
- Keeping the Commission, management, and Congress fully informed regarding problems and deficiencies, and the progress of corrective actions.

When conducting an investigation, we work with other Federal agencies to detail investigators or contract for investigative services.

The OIG's program to ensure economy, efficiency and integrity in the use of funds does not exclusively translate into audits of the EAC or of its grant recipients. The OIG also investigates allegations of waste, fraud, abuse and

mismanagement in EAC programs and operations. The OIG operates a hotline to receive complaints regarding EAC, its programs, and its funding recipients.

EAC Audits

The OIG oversees the annual audit of EAC's compliance with the Federal Information Security Management Act (FISMA). Details of the audit follow:

FISMA Compliance

In accordance with the Federal Information Security Management Act (FISMA), the Office of Inspector General (OIG) engaged Leon Snead & Co. P.C. (LSC), an independent certified public accounting firm, to conduct an audit of the EAC's compliance with the OMB Circular A-130 and FISMA requirements. FISMA requires federal agencies, including EAC, to perform annual independent evaluations of their information security programs and practices and report the results to the Office of Management and Budget (OMB). FISMA states that annual evaluations shall be performed by the agency Inspector General or by an independent external auditor, as determined by the Inspector General. The objective of this audit was to assess whether the EAC had developed, documented, and implemented an agency-wide information security program, as required by OMB Circular A-130 and FISMA.

LSC concluded that EAC was in substantial compliance with FISMA requirements, OMB policy and guidelines, and applicable NIST standards and guidelines for the security control areas that were evaluated. LSC determined that EAC had developed an agency-wide information technology security program based upon assessed risk, and the security program provided reasonable assurance that the agency's information and information systems were appropriately protected. However, LSC did note one area relating to vulnerability scans of EAC's internal network where EAC's controls and processes could be further strengthened. EAC officials took action to address the identified vulnerabilities. LSC tested the actions taken by EAC officials and confirmed corrective actions had been taken.

Pending Audits

OIG has several ongoing audits that will be published in future reporting periods. These audits include:

- **State Grant Audits:** The OIG conducts audits of the recipients of HAVA funds. Through those audits, the OIG examines whether the recipient used HAVA funds in accordance with HAVA and other applicable Federal requirements. We also determine whether the recipient has properly accounted for purchases made with HAVA funds and any income derived from those purchases. Last, we assess whether grant funding was maintained and accounted for in keeping with HAVA, particularly whether the recipient provided sufficient matching funds and maintained Federal monies in a separate election fund. During the reporting period, the OIG contracted with the professional auditing firm, of McBride, Lock & Associates to conduct audits of Colorado, Massachusetts, Nebraska and North Dakota.
- **Data Collection Grant Audits:** The EAC OIG has contracted with the professional auditing firm of McBride, Lock & Associates to conduct four audits of recipients of EAC data collection grants (Illinois, Minnesota, Ohio and Pennsylvania). The objective of the audit is to determine whether the grant recipient used the funds in accordance with applicable federal requirements.
- **Procurement Audit:** The OIG has initiated a review of the procurement activities of the EAC. The objectives are to perform a performance audit of the EAC's Office of Procurement Services and Commission-wide contract management functions to determine whether the EAC has procured supplies and services in an effective and efficient manner and in accordance with applicable laws, policies and regulations. The OIG has contracted with the firm of CliftonLarsonAllen LLP to perform the audit.

- **Privacy Act Audit.** The objective of the audit is to evaluate and report on whether the EAC has established adequate privacy and data protection policies and procedures governing the collection, use, disclosure, transfer, storage and security of information relating to agency employees and the public. OIG has contracted with CliftonLarsonAllen LLP to perform the audit.

Non-Federal Audits

OMB Circular A-133 establishes audit requirements for State and local governments, receiving Federal awards. Covered entities that expend \$500,000 or more a year in Federal awards are required to obtain an annual organization-wide audit “single audit”. The audits are conducted by non-Federal auditors, such as public accounting firms and State auditors. OIG reviews the resulting audit reports, findings and questioned costs related to EAC awards.

During this reporting period, the OIG referred the following single audit to the EAC:

- West Virginia Comprehensive Annual Financial report Fiscal Year Ended June 30, 2011

Other Activities

Reviews of Legislation, Rules, Regulations and Other Issuances

The OIG conducts regular monitoring of EAC program activities and policy-making efforts. We provide comment to significant policy statements, rulemaking and legislation that affects the EAC. During this reporting period, the EAC did not have any Commissioners and did not issue any policy determinations. The Administration issued several pieces of guidance and Executive Orders during the reporting period, which we reviewed. Last, we

participated in surveys and data calls issued by the Council of Inspectors General on Integrity and Efficiency.

Matters Referred to Prosecuting Authorities

We are reporting no activities in this category during the reporting period.

Denial of Access to Records

We are reporting no activities in this category during the reporting period.

Peer Review Activity

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

Audit Peer Reviews

On a 3–year cycle, peer reviews are conducted of an OIG audit organization’s system of quality control in accordance with the *CIGIE Guide for Conducting External Peer Reviews of the Audit Organizations of Federal Offices of Inspector General*, based on requirements in the *Government Auditing Standards*.

There are three types of peer review ratings that may be rendered: *pass*, *pass with deficiencies*, and *fail*. A rating of *pass* is issued when it is determined that the system of quality control for the audit organization has been suitably designed and complied with to provide the OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards. Further, there were no deficiencies or significant deficiencies identified that

affect the nature of the report. (*Guide for Conducting External Peer Reviews of the Audit Organizations of Federal Offices of Inspector General, March 2009*)

EAC OIG AUDIT: During this reporting period, the EAC OIG was subject to a peer review. The Federal Labor Relations Authority, Office of Inspector General (FLRA OIG) conducted the review and issued its system report on July 31, 2012. In the FLRA OIG's opinion, the system of quality control for the EAC OIG audit organization in effect for the year-ended March 31, 2012, had been suitably designed and complied with to provide EAC OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The EAC OIG received a peer review rating of *pass*.

Included with the final report was a Letter of Comment, which detailed three findings and recommendations that were not considered to be of sufficient significance to affect the peer review rating.

- Completing and Documenting Training
- Contractor Monitoring – Monitoring Oversight Tool Not Used
- Contractor Monitoring –Evidence of Auditor Training Not Obtained

The EAC OIG agreed with the FLRA OIG's findings and will implement corrective actions. Corrective actions will be completed by February 2013.

EAC OIG Peer Review of Federal Trade Commission: During the past reporting period, the EAC OIG completed a peer review of the audit operations of the Federal Trade Commission, Office of Inspector General (FTC OIG). We reported that in our opinion the system of quality control for the audit organization of FTC OIG in effect for the year-ended March 31, 2012, had been suitably designed and complied with to provide FTC OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The FTC OIG has received a peer review rating of *pass*. The report was issued on September 7, 2012.

We also issued a letter dated September 7, 2012 that sets forth findings that were not considered to be of sufficient significance to affect our opinion

expressed in the system report. The FTC OIG indicated that they agreed with the findings and recommendations and would initiate corrective actions.

Reports Issued

EAC Audits

1. Audit of Compliance with the Requirements of the Federal Information Security Management Act (Assignment No. I-PA-EAC-02-12), September 2012

Monetary Impact of Audit Activities

Questioned Costs*	\$ 0
Potential Additional Program Funds	\$ 0
Funds to Be Put to Better Use	\$ 0
Total	\$ 0

*Unsupported costs are included in questioned costs.

Reports With Questioned Costs

<u>Category</u>	<u>Number</u>	<u>Questioned Costs</u>	<u>Unsupported Costs</u>
A. For which no management decision had been made by the beginning of the reporting period.	1	\$ 6,564	\$ 0
B. Which were issued during the reporting period.	0	\$ 0	\$ 0
Subtotals (A + B)	1	\$ 6,564	\$ 0
C. For which a management decision was made during the reporting period.	0	\$ 0	\$ 0
(i) Dollar value of recommendations that were agreed to by management.		\$ 0	\$ 0
(ii) Dollar value of recommendations not agreed to by management.		\$ 0	\$ 0
D. For which no management decision has been made by the end of the reporting period.	1	\$ 6,564	\$ 0

Reports With Potential Additional Program Funds

<u>Category</u>	<u>Number</u>	<u>Dollar Value</u>
A. For which no management decision had been made by the beginning of the reporting period.	0	\$ 0
B. Which were issued during the reporting period.	0	\$ 0
Subtotals (A+B)	0	\$ 0
C. For which a management decision was made during the reporting period.	0	\$ 0
(i) Dollar value of recommendations that were agreed to by management.		\$ 0
(ii) Dollar value of recommendations that were not agreed to by management.		\$ 0
D. For which no management decision has been made by the end of the reporting period.	0	\$ 0

Summary of Reports More Than Six Months Old Pending Corrective Action at September 30, 2012

The following is a list of audit and evaluation reports that are more than six months with management decisions for which corrective action has not been completed. It provides report number, title, issue date, and the number of recommendations without final corrective action.

I-EV-EAC-01-07B	Assessment of the U.S. Election Assistance Commission's Program and Financial Operations, February 2008, 7 Recommendations
E-HP-HI-01-10	Administration of Payments Received Under the Help America Vote Act by the Hawaii Office of Elections, February 2011, 4 Recommendations
I-PA-EAC-01-11	Independent Auditor's Reports on the U.S. Election Assistance Commission's Financial Statements for Fiscal Year 2011, November 2011, 3 Recommendations

Summary of Reports More Than Six Months Old Pending Management Decision at September 30, 2012

This listing includes a summary of audit and evaluation reports that were more than 6 months old on September 30, 2012 and still pending a management decision. It provides report number, title, and number of unresolved recommendations.

None.

Reporting Requirements of the IG Act

<u>Section of Act</u>	<u>Requirement</u>	<u>Page</u>
Section 4(a)(2)	Review of Legislation and Regulations	5
Section 5(a)(1)	Significant Problems, Abuses, and Deficiencies	None
Section 5(a)(2)	Recommendations for Corrective Action With Respect to Significant Problems, Abuses, and Deficiencies	None
Section 5(a)(3)	Significant Recommendations From Agency's Previous Report on Which Corrective Action Has Not Been Completed	13
Section 5(a)(4)	Matters Referred to Prosecuting Authorities and Resulting Convictions	None
Section 5(a)(5)	Matters Reported to the Head of the Agency	None
Section 5(a)(6)	List of Reports Issued During the Reporting Period	9
Section 5(a)(7)	Summary of Significant Reports	3
Section 5(a)(8)	Statistical Table – Questioned Costs	10
Section 5(a)(9)	Statistical Table – Recommendations That Funds Be Put to Better Use	None
Section 5(a)(10)	Summary of Audit Reports Issued Before the Commencement of the Reporting Period for Which No Management Decision Has Been Made	None
Section 5(a)(11)	Significant Revised Management Decisions Made During the Reporting Period	None
Section 5(a)(12)	Significant Management Decisions With Which the Inspector General Is in Disagreement	None
Section 5(a)(13)	Information Described Under Section 804(b) of the Federal Financial Management Improvement Act of 1996	None
Section 5(a)(14)(A)	Peer Review Reports Conducted on U.S. Election Assistance Commission Office of Inspector General during the Reporting Period	6

<u>Section of Act</u>	<u>Requirement</u>	<u>Page</u>
Section 5(a)(14)(B)	Statement of Peer Review Conducted on the U.S. Election Assistance Commission Office of Inspector General during a Prior Reporting Period	None
Section 5(a)(15)	Outstanding Recommendations from a Peer Review Report on the U.S. Election Assistance Commission Office of Inspector General	6
Section 5(a)(16)	Peer Review Reports Conducted by the U.S. Election Assistance Commission Office of Inspector General	6

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Fax: (202) 566-0957

To Report Fraud, Waste and Abuse Involving the U.S. Election Assistance Commission or Help America Vote Act Funds

By Mail: U.S. Election Assistance Commission
Office of Inspector General
1201 New York Ave. NW – Suite 300
Washington, DC 20005

E-mail: eacoig@eac.gov

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

On-Line Complaint Form: www.eac.gov/inspector_general/
FAX: 202-566-0957





Inspector General

U.S. Election Assistance Commission

This report, as well as other OIG reports and testimony, are available on the internet at:
www.eac.gov/inspector_general/