



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

FINAL REPORT:

**MANAGEMENT LETTER REPORT
RELATED TO THE AUDIT OF THE
U.S. ELECTION ASSISTANCE
COMMISSION'S FINANCIAL
STATEMENTS**

AS OF AND FOR THE YEARS ENDED
SEPTEMBER 30, 2018 AND 2017

**EAC IG Report No.
I-PA-EAC-01-18B
December 2018**



U.S. ELECTION ASSISTANCE COMMISSION
1335 EAST-WEST HIGHWAY, SUITE 4300
SILVER SPRING, MD 20910
OFFICE OF THE INSPECTOR GENERAL

MEMORANDUM

To: Brian Newby, Executive Director

A handwritten signature in blue ink that reads "Patricia L. Layfield".

From: Patricia L. Layfield, Inspector General

Date: December 7, 2018

Subject: Management Letter from the Audit of the U.S. Election Assistance Commission's Financial Statements for Fiscal Year 2018 (Report No. I-PA-EAC-01-18B)

The purpose of a management letter report is to convey to you information concerning a control weakness that did not rise to the level of a significant deficiency or material weakness. As you may recall, a material weakness is a deficiency or combination of deficiencies in internal control over financial reporting 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 combination of deficiencies that is less severe than a material weakness yet important enough to merit attention of those charged with governance of the entity.

During the most recent financial statement audit, Brown & Company noted that EAC did not process an invoice in accordance with the Prompt Payment Act. The attached management letter report provides the details of the finding and recommendation, together with EAC's response. Your response indicated that EAC has developed and at least partially implemented corrective action plans to remediate the issue described.

The Inspector General Act of 1978, as amended, requires semiannual reporting to Congress on all reports issued, actions taken to implement recommendations, and recommendations that have not been implemented. Therefore, we will report the issuance of this audit-related report in our next semiannual report to Congress. In

preparation for issuing that report, I will follow up with you to determine the status of the enclosed recommendation. The distribution of this report is not restricted and copies are available for public inspection. Although the reported finding requires no actions by the Commissioners, I am providing a courtesy copy of this report to them prior to making it public.

If you have any questions regarding this report, please call me at (301) 734-3104.

Attachment

U.S. ELECTION ASSISTANCE COMMISSION

MANAGEMENT LETTER

For the Year Ended
September 30, 2018



**U.S. ELECTION ASSISTANCE COMMISSION
September 30, 2018**

FY 2018 MANAGEMENT LETTER COMMENTS

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November 15, 2018

U.S. Election Assistance Commission (EAC)
Washington, D.C.

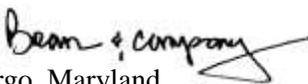
To: Management and the Commissioners of the U.S. Election Assistance Commission

In planning and performing our audit of the financial statements of the U.S. Election Assistance Commission (EAC) as of and for the year ended September 30, 2018, on which we have issued our report dated November 13, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered EAC's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of EAC's internal control. Accordingly, we do not express an opinion on the effectiveness of EAC's internal control. This report is based on our knowledge as of the date of our report on the financial statements, obtained in performing our audit thereof, and should be read with that understanding.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control. However, during the audit, we noted certain matters involving the internal control and other operating matters that are presented for your consideration. This letter does not affect our report dated November 13, 2018 on the financial statements. The management letter comments are summarized in Appendix A. The status of prior year recommendations is presented in Appendix B. Although we have included management's written response to our comments in Appendix C, such responses have not been subjected to the auditing procedures applied in our audit of the financial statements and, accordingly, we do not express an opinion or provide any form of assurance on the appropriateness of the response or the effectiveness of any corrective actions described therein.

This communication 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.

Very truly yours,


Largo, Maryland

**U.S. ELECTION ASSISTANCE COMMISSION
SEPTEMBER 30, 2018
FY 2018 MANAGEMENT LETTER COMMENT**

Finding 2018-01: The Election Assistance Commission Did Not Process An Invoice in Accordance With The Prompt Payment Act

Condition:

The Election Assistance Commission (EAC) requires vendors to submit their invoices into the Invoice Processing Platform (IPP) for payment. EAC uses the shared services of the Administrative Resource Center (ARC) to process its payments. To determine if an invoice is late and calculate any required interest payments on overdue invoices, ARC begins counting the due date of the invoice from the date that the invoice is accepted by the authorized EAC official.

During our year-end substantive testing, we judgmentally selected four (4) transactions for expense testing and compliance with the Prompt Payment Act. We noted that one vendor with Net 30 Prompt Pay terms entered a transactions into IPP on 7/11/18. However, the invoice was not accepted until 9/11/18 and paid on 09/14/18. Upon inquiring of why the invoice was not accepted for two months, it was explained that the invoice was routed to the Contracting Officer Representative (COR) on 7/11/18. However, the assigned COR was no longer employed by the Agency at that time and the invoice was not processed for payment. On 8/28/18, the Agency assigned another COR to the contract who approved the invoice on 9/11/18. The ARC paid the invoice on 9/14/18. Since the ARC was using 10/11/18 as the payment due date, paying the invoice on 09/14/18 was considered on time and no interest was paid to the vendor. It was also noted that at no time was the vendor invoice rejected or returned to the vendor as improper.

Criteria:

In 1982, Congress enacted the Prompt Payment Act (“Act”; Pub. L. 97–177) to require Federal agencies to pay their bills on a timely basis, to pay interest penalties when payments are made late, and to take discounts only when payments are made by the discount date. The Act, as amended, is found in 31 U.S.C. section 3901. It states the following for the purposes of determining a payment due date and the date upon which any late payment interest penalty shall begin to accrue:

- “(A) on the later of—
- i. the date on which the place or person designated by the agency to first receive such invoice actually receives a proper invoice; or
 - ii. on the 7th day after the date on which, in accordance with the terms and conditions of the contract, the property is actually delivered or performance of the services is actually completed, as the case may be, unless—
 - iii. the agency has actually accepted such property or services before such 7th day; or
 - iv. the contract (except in the case of a contract for the procurement of a brand-name commercial item for authorized resale) specifies a longer acceptance period, as determined by the contracting officer to be required to afford the agency a practicable opportunity to inspect and test the property furnished or evaluate the services performed; or

- (B) on the date of the invoice, if the agency has failed to annotate the invoice with the date of receipt at the time of actual receipt by the place or person designated by the agency to first receive such invoice.
- (C) a payment is deemed to be made on the date a check for payment is dated or an electronic fund transfer is made.”

Under requirements of the Prompt Payment Act, interest expense is assessed on late payments made by the Federal Government. In general, three sources prescribe the requirements for calculating and paying interest: (1) Federal Acquisition Regulation (FAR) 32.905, (2) Payment Documentation and Process, and regulations issued by the Office of Management & Budget to implement the Prompt Payment Act, and (3) 5 CFR part 1315.

Cause:

EAC lacked review procedures to monitor the status of unpaid invoices and ensure that the Agency is complying with the Prompt Payment Act guidelines.

Effect:

The EAC lack of review procedures caused a vendor to be paid late and noncompliance with the Prompt Payment Act.

Recommendation:

We recommend that the EAC develop and implement review procedures to ensure that vendors are being paid on time and interest payments are in compliance with Prompt Payment Act guidelines.

Management Response:

Management concurs with the finding. See Appendix C

**U.S. ELECTION ASSISTANCE COMMISSION
 SEPTEMBER 30, 2018
 STATUS OF PRIOR YEAR RECOMMENDATIONS**

Report Reference	Description	Recommendation	Status as of September 30, 2018
2017-01 Controls and Compliance Over Payroll for Federal Employees' Group Life Insurance Act of 1980	The payroll deduction for one employee did not correspond to the election on the FEGLI enrollment form. The enrollment form indicated coverage for Basic, Option B x1, and Option C x5. The payroll deduction was for Basic only.	We recommend that the EAC HR Director have read only access to all employees' payroll information so that there can be another level of verification of the information that is input into the payroll system.	Closed

**U.S. ELECTION ASSISTANCE COMMISSION
SEPTEMBER 30, 2018
MANAGEMENT'S RESPONSE**



U. S. ELECTION ASSISTANCE COMMISSION
1335 East West Highway, Suite 4300
Silver Spring, MD 20910

November 29, 2018

Brown & Company CPA's, PLLC
ATTN: Justin Nguyen
1101 Mercantile Lane
Suite 122
Largo, MD 20774

Subject: Response to Brown & Company's 2018 Management Letter Comments

Subsequent to the most recent Financial Statement audit, the U.S. Election Assistance Commission (EAC) concurs with your 2018 Management Letter findings that an invoice was not processed in accordance with the Prompt Payment Act. The EAC received the invoice while in the process of transitioning a new Contractor Officer Representative (COR) to the contract because the original COR had recently left the agency. Due to human error during the transition, the invoice was not accepted within 30 days. The invoice was accepted after the new COR was appointed to the contract.

In response to the Notification of Findings and Recommendation (NFR) Report, the EAC will take steps to ensure that proper procedures are in place to pay vendors under the Net 30 Prompt Pay terms when a COR is no longer employed with the agency. First, the EAC will ensure that every contract has a COR and Alternative COR for proper payment routing in the Invoice Processing Platform (IPP). Secondly, the EAC will assess current policies, procedures, and compliance with such to limit the risk to prompt payment associated with employee and COR transitions. Lastly, the Financial Manager will conduct in-person training for EAC CORs to re-emphasize their roles and responsibilities.

Sincerely,

A handwritten signature in blue ink that reads "BDN".

Brian D. Newby
Executive Director

What is the OIG mission?

The OIG mission is to provide timely, high-quality professional products and services that are useful to OIG's clients. OIG seeks to provide value through its work, which is designed to enhance the economy, efficiency, and effectiveness in EAC operations so they work better and cost less in the context of today's declining resources. OIG also seeks to prevent or detect and investigate fraud, waste, abuse, and mismanagement in these programs and operations. Products and services include traditional financial and performance audits, contract and grant audits, information systems audits, and evaluations.

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<https://www.eac.gov/inspector-general/reports/>

The reports are also available at Oversight.gov, a one-stop, publicly accessible, searchable website containing the latest public reports from the Federal Inspectors General who are members of the Council of the Inspectors General on Integrity and Efficiency:

<https://www.oversight.gov/>

Copies may also be requested directly from the OIG using the contact information below.

How can I report fraud, waste or abuse involving the U.S. Election Assistance Commission or Help America Vote Act Funds?

Mail: U.S. Election Assistance Commission
Office of Inspector General
1335 East-West Highway, Suite 4300
Silver Spring, MD 20910

E-mail: eacoig@eac.gov

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

FAX: 301-734-3115

