



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

FINAL REPORT:

**AUDIT OF THE U.S. ELECTION
ASSISTANCE COMMISSION'S
FINANCIAL STATEMENTS**

AS OF AND FOR THE YEARS ENDED
SEPTEMBER 30, 2017 AND 2016

**EAC IG Report No.
I-PA-EAC-01-17
November 2017**



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

MEMORANDUM

To: Matthew Masterson, Chairman

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

From: Patricia L. Layfield, Inspector General

Date: November 14, 2017

Subject: Audit of the U.S. Election Assistance Commission's Financial
Statements for Fiscal Year 2017 (Assignment No. I-PA-EAC-01-17))

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 under contract with the Office of Inspector General (OIG). The contract required the audit to be performed in accordance with auditing standards generally accepted in the United States of America; *Government Auditing Standards* issued by the Comptroller General of the United States; Office of Management and Budget (OMB) Bulletin 17-03, *Audit Requirements for Federal Financial Statements*; and the *Financial Audit Manual* issued jointly by the Council of the Inspectors General on Integrity and Efficiency and the Government Accountability Office.

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, 2017 and 2016, and its net costs, changes in net position, budgetary resources, and custodial activities for the years 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 qualifications 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 draft audit report;
- Performed other procedures we deemed necessary; and
- Coordinated issuance of the audit report.

Brown & Company 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 recommendations, and recommendations that have not been implemented. Therefore, we will report the issuance of this audit report in our next semiannual report to Congress. The distribution of this report is not restricted and copies are available for public inspection.

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

Attachment

ELECTION ASSISTANCE COMMISSION

**INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED
SEPTEMBER 30, 2017 AND 2016**



**Prepared By
Brown & Company CPAs Management Consultants, PLLC
November 14, 2017**



**ELECTION ASSISTANCE COMMISSION
INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017 AND 2016**

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS.....	1
BALANCE SHEET	5
STATEMENT OF NET COST	6
STATEMENT OF CHANGES IN NET POSITION.....	7
STATEMENT OF BUDGETARY RESOURCES.....	8
NOTES TO THE FINANCIAL STATEMENTS	9



INDEPENDENT AUDITOR'S REPORT

U.S. Election Assistance Commission
Washington, D.C.

Report on the Financial Statements

We have audited the accompanying balance sheets of the U.S. Election Assistance Commission (EAC) as of September 30, 2017 and 2016, and the related statements of net cost, changes in net position and budgetary resources, for the years 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. 17-03, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 17-03 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 tests 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 the EAC as of September 30, 2017 and 2016, and its net costs, changes in net position and budgetary resources 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), also regarded as *Required Supplementary Information* (RSI) 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 Chairman, Message From The Chief Financial Officer and Other Information (OI)* sections are presented for purposes of additional analysis and are not 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 the 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 over financial reporting 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 a material weakness. However, material weaknesses may exist that have not been identified.

We also identified other deficiencies in EAC's internal control over financial reporting that we do not consider to be material weaknesses or significant deficiencies. Nonetheless, these deficiencies warrant EAC management's attention. We have communicated these matters to EAC management and, will report on them separately in a management letter.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the EAC's financial statements are free from material misstatement, we performed tests of its compliance with certain 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 those provisions of laws, regulations, contracts and grant agreements, and we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters required to be reported under *Government Auditing Standards* or OMB Bulletin No. 17-03.

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 No. 17-03 requires testing, and (3) applying certain limited procedures with respect to the MD&A and OI.

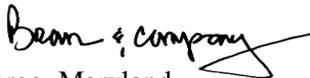
We did not evaluate all internal controls relevant to operating objectives as broadly established by the FMFIA, such as those controls relevant to preparing statistical reports and ensuring efficient operations. We limited our internal control testing to testing internal control over financial reporting. 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 the 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 No. 17-03 that we deemed applicable to the EAC's financial statements for the fiscal year ended September 30, 2017. 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.

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 the EAC, OMB, and the U.S. Congress, and is not intended to be, and should not be, used by anyone other than these specified parties.



Largo, Maryland
November 14, 2017

FINANCIAL STATEMENTS AND NOTES

**ELECTION ASSISTANCE COMMISSION
BALANCE SHEET
AS OF SEPTEMBER 30, 2017 AND 2016
(In Dollars)**

	2017	2016
Assets:		
Intragovernmental		
Fund Balance With Treasury (Note 2)	\$ 12,845,226	\$ 15,415,600
Other (Note 4)	840,898	999,687
Total Intragovernmental	13,686,124	16,415,287
Accounts Receivable, Net (Note 3)	8,171	20
Property, Equipment, and Software, Net (Note 5)	256,087	335,063
Total Assets	\$ 13,950,382	\$ 16,750,370
Liabilities:		
Intragovernmental		
Accounts Payable	\$ 101,738	\$ 63,859
Other (Note 7)	37,295	28,979
Total Intragovernmental	139,033	92,838
Accounts Payable	325,055	332,772
Other (Note 7)	388,216	557,524
Total Liabilities (Note 6)	\$ 852,304	\$ 983,134
Net Position:		
Unexpended Appropriations - Other Funds	\$ 13,066,800	\$ 15,654,783
Cumulative Results of Operations - Other Funds	31,278	112,453
Total Net Position	\$ 13,098,078	\$ 15,767,236
Total Liabilities and Net Position	\$ 13,950,382	\$ 16,750,370

The accompanying notes are an integral part of these financial statements.

ELECTION ASSISTANCE COMMISSION
STATEMENT OF NET COST
FOR THE TWELVE MONTHS ENDING SEPTEMBER 30, 2017 AND 2016
(In Dollars)

	2017	2016
Program Costs		
Communication and Clearinghouse		
Gross Costs (Note 9)	\$ 1,774,387	\$ 900,228
Net Program Costs	\$ 1,774,387	\$ 900,228
Fund and Oversee		
Gross Costs (Note 9)	\$ 4,030,104	\$ 6,343,333
Net Program Costs	\$ 4,030,104	\$ 6,343,333
Research, Policy, and Programs		
Gross Costs (Note 9)	\$ 810,650	\$ 1,268,535
Net Program Costs	\$ 810,650	\$ 1,268,535
Testing and Certifications		
Gross Costs (Note 9)	\$ 3,072,956	\$ 2,327,712
Net Program Costs	\$ 3,072,956	\$ 2,327,712
Net Cost of Operations	\$ 9,688,097	\$ 10,839,808

The accompanying notes are an integral part of these financial statements.

ELECTION ASSISTANCE COMMISSION
STATEMENT OF CHANGES IN NET POSITION
FOR THE TWELVE MONTHS ENDING SEPTEMBER 30, 2017 AND 2016
(In Dollars)

	2017	2016
Cumulative Results of Operations:		
Beginning Balances	\$ 112,453	\$ 268,981
Budgetary Financing Sources:		
Appropriations Used	9,472,623	10,505,624
Other Financing Sources (Non-Exchange):		
Imputed Financing Sources (Notes 1 and 13)	134,299	177,656
Total Financing Sources	9,606,922	10,683,280
Net Cost of Operations (Notes 9 and 13)	(9,688,097)	(10,839,808)
Net Change	(81,175)	(156,528)
Cumulative Results of Operations	\$ 31,278	\$ 112,453
Unexpended Appropriations:		
Beginning Balances	\$ 15,654,783	\$ 21,761,683
Beginning Balances, as Adjusted	15,654,783	21,761,683
Budgetary Financing Sources:		
Appropriations Received	\$ 9,600,000	\$ 9,600,000
Appropriations Transferred In/Out	(1,400,000)	(1,500,000)
Other Adjustments	(1,315,360)	(3,701,276)
Appropriations Used	(9,472,623)	(10,505,624)
Total Budgetary Financing Sources	\$ (2,587,983)	\$ (6,106,900)
Total Unexpended Appropriations	\$ 13,066,800	\$ 15,654,783
Net Position	\$ 13,098,078	\$ 15,767,236

The accompanying notes are an integral part of these financial statements.

**ELECTION ASSISTANCE COMMISSION
STATEMENT OF BUDGETARY RESOURCES
FOR THE TWELVE MONTHS ENDING SEPTEMBER 30, 2017 AND 2016
(In Dollars)**

	2017	2016
Budgetary Resources:		
Unobligated Balance Brought Forward, October 1	\$ 9,805,066	\$ 14,723,380
Unobligated Balance Brought Forward, October 1, as adjusted	9,805,066	14,723,380
Recoveries of Prior Year Unpaid Obligations	529,577	454,338
Other changes in unobligated balance	(1,315,361)	(3,701,275)
Unobligated balance from prior year budget authority, net	9,019,282	11,476,443
Appropriations	8,200,000	8,100,000
Spending authority from offsetting collections	65,221	10,995
Total Budgetary Resources	\$ 17,284,503	\$ 19,587,438
Status of Budgetary Resources:		
New Obligations and upward adjustments (Note 11)	\$ 8,513,756	\$ 9,782,372
Unobligated balance, end of year:		
Apportioned, unexpired account	1,036,881	1,869,503
Unexpired unobligated balance, end of year	1,036,881	1,869,503
Expired unobligated balance, end of year	7,733,866	7,935,563
Total unobligated balance, end of year	8,770,747	9,805,066
Total Budgetary Resources	\$ 17,284,503	\$ 19,587,438
Change in Obligated Balance		
Unpaid Obligations:		
Unpaid Obligations, Brought Forward, October 1	\$ 5,610,534	\$ 7,208,769
Obligations Incurred (Note 11)	8,513,756	9,782,372
Outlays (gross)	(9,520,234)	(10,926,269)
Recoveries of Prior Year Unpaid Obligations	(529,577)	(454,338)
Unpaid Obligations, End of Year (Gross)	4,074,479	5,610,534
Uncollected payments:		
Memorandum entries:		
Obligated Balance, Start of Year	5,610,534	7,208,769
Obligated Balance, End of Year	4,074,479	5,610,534
Budget Authority and Outlays, Net:		
Budget authority, gross	\$ 8,265,221	\$ 8,110,995
Actual offsetting collections	(65,221)	(10,995)
Budget Authority, net, (total)	\$ 8,200,000	\$ 8,100,000
Outlays, gross	\$ 9,520,234	\$ 10,926,269
Actual offsetting collections	(65,221)	(10,995)
Outlays, net, (total)	9,455,013	10,915,274
Agency outlays, net	\$ 9,455,013	\$ 10,915,274



Election Assistance Commission

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

The four EAC commissioners are appointed by the president and confirmed by the United States Senate. EAC 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 Statement of Custodial Activity accounts for sources and disposition of collections.

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% beginning FY 2010 and 100% in 2015.

J. Accrued and Actuarial Workers' Compensation

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

K. Retirement Plans

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

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

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

EAC recognizes the imputed cost of pension and other retirement benefits during the employees' active years of service. OPM actuaries determine pension cost factors by calculating the value of pension benefits expected to be paid in the future and communicate these factors to EAC for current period expense reporting. OPM also provides information regarding the full cost of health and life insurance benefits. EAC recognized the offsetting revenue as imputed financing sources to the extent these expenses will be paid by OPM.

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

responsibility of the OPM, as the administrator.

L. Other Post-Employment Benefits

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

M. Use of Estimates

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

N. Imputed Costs/Financing Sources

Federal Government entities often receive goods and services from other Federal Government entities without reimbursing the providing entity for all the related costs. In addition, Federal Government entities also incur costs that are paid in total or in part by other entities. An imputed financing source is recognized by the receiving entity for costs that are paid by other entities. EAC recognized imputed costs and financing sources in fiscal years 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, 2017 and 2016, were as follows:

	2017	2016
Fund Balances:		
Appropriated Funds	\$ 12,845,226	\$ 15,415,600
Other Fund Types	-	-
Total	\$ 12,845,226	\$ 15,415,600

Status of Fund Balance with Treasury:

Unobligated Balance		
Available	\$ 1,036,881	\$ 1,869,503
Unavailable	7,733,866	7,935,563
Obligated Balance Not Yet Disbursed	4,074,479	5,610,534
Non-Budgetary FBWT	-	-
Total	\$ 12,845,226	\$ 15,415,600

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, 2017 and 2016, were as follows:

	2017	2016
Intragovernmental		
Accounts Receivable	\$ -	\$ -
With the Public		
Accounts Receivable	8,096	20
Employee Receivables	-	-
Total Accounts Receivable	\$ 8,096	\$ 20

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, 2017 and 2016.

NOTE 4. ADVANCES AND PREPAYMENTS

Advances and Prepayments balances as of September 30, 2017 and 2016, were as follows:

	2017	2016
Intragovernmental		
Advances and Prepayments	\$ 840,898	\$ 999,687
With the Public		
Advances and Prepayments	-	-
Total Other Assets	\$ 840,898	\$ 999,687

NOTE 5. PROPERTY, EQUIPMENT, AND SOFTWARE

Schedule of Property, Equipment, and Software as of September 30, 2017

Major Class	Acquisition Cost	Accumulated Amortization/Depreciation	Net Book Value
Leasehold Improvements	\$ 1,205,830	\$ 1,193,068	\$ 12,762
Furniture & Equipment	1,013,741	850,306	163,435
Software	172,721	172,721	-
Construction-in-Progress	-	N/A	-
Software-in-Development	79,890	N/A	79,890
Total	\$ 2,472,182	\$ 2,216,095	\$ 256,087

Schedule of Property, Equipment, and Software as of September 30, 2016

Major Class	Acquisition Cost	Accumulated Amortization/Depreciation	Net Book Value
Leasehold Improvements	\$ 1,205,830	\$ 1,060,414	\$ 145,416
Furniture & Equipment	918,712	808,956	109,756
Software	172,721	172,721	-
Construction-in-Progress	-	N/A	-
Software-in-Development	79,891	N/A	79,891
Total	\$ 2,377,154	\$ 2,042,091	\$ 335,063

Depreciation expense was \$174,004.48 and \$212,571.01 for the twelve months ending September 30, 2017 and 2016, respectively.

NOTE 6. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The liabilities for EAC as of September 30, 2017 and 2016, include liabilities not covered by budgetary resources. Congressional action is needed before budgetary resources can be provided. Although future appropriations to fund these liabilities are likely and anticipated, it is not certain that appropriations will be enacted to fund these liabilities.

	2017	2016
Intragovernmental – FECA	\$ -	\$ 234
Intragovernmental – Unemployment Insurance	-	-
Unfunded Leave	232,905	222,396
Total Liabilities Not Covered by Budgetary Resources	\$ 232,905	\$ 222,630
Total Liabilities Covered by Budgetary Resources	619,399	760,504
Total Liabilities	\$ 852,304	\$ 983,134

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, 2017 were as follows:

	Current	Non Current	Total
Intragovernmental			
FECA Liability	\$ -	\$ -	\$ -
Unemployment Insurance Liability	-	-	-
Payroll Taxes Payable	37,295	-	37,295
Custodial Liability	-	-	-
Total Intragovernmental Other Liabilities	\$ 37,295	\$ -	\$ 37,295

With the Public			
Payroll Taxes Payable	\$ 6,185	\$ -	\$ 6,185
Accrued Funded Payroll and Leave	149,051	-	149,051
Unfunded Leave	232,905	-	232,905
Custodial Liability	75	-	75
Other Liabilities w/related Budgetary Ob	-	-	-
Total Public Other Liabilities	\$ 388,216	\$ -	\$ 388,216

Other liabilities account balances as of September 30, 2016 were as follows:

	Current	Non Current	Total
Intragovernmental			
FECA Liability	\$ 738	\$ -	\$ 738
Unemployment Insurance Liability	-	-	-
Payroll Taxes Payable	28,241	-	28,241
Total Intragovernmental Other Liabilities	\$ 28,979	\$ -	\$ 28,979

With the Public			
Payroll Taxes Payable	\$ 4,669	\$ -	\$ 4,669
Accrued Funded Payroll and Leave	129,228	-	129,228
Unfunded Leave	222,396	-	222,396
Custodial Liability	-	-	-
Other Liabilities w/related Budgetary Ob	201,231	-	201,231
Total Public Other Liabilities	\$ 557,524	\$ -	\$ 557,524

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.

Scheduled of Future Lease Payments

Fiscal Year	Building	Totals
2019	19,863	19,863
2020		-
2021		-
2022	-	-
2023	-	-
Thereafter	-	-
Total Future Payments	\$ 19,863	\$ 19,863

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:

	2017	2016
Communications and Clearinghouse		
Intragovernmental Costs	\$ 411,906	\$ 141,908
Public Costs	1,362,481	758,320
Total Costs	1,774,387	900,228
Fund and Oversee		
Intragovernmental Costs	\$ 935,547	\$ 999,938
Public Costs	3,094,557	5,343,396
Total Costs	4,030,104	6,343,334
Research, Policy, and Programs		
Intragovernmental Costs	\$ 188,184	\$ 199,967
Public Costs	622,466	1,068,568
Total Costs	810,650	1,268,535
Testing and Certification		
Intragovernmental Costs	\$ 713,355	\$ 366,931
Public Costs	2,359,600	1,960,781
Total Costs	3,072,955	2,327,712
Total Intragovernmental costs	2,248,992	1,708,745
Total Public costs	7,439,105	9,131,064
Total Net Cost	\$ 9,688,097	\$ 10,839,808

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

SFFAS No. 7, Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting, calls for explanation of material differences between amounts reported in the Statement of Budgetary Resources and the actual balances published in the Budget of the U.S. Government (the President’s Budget). The FY 2018 President’s Budget, with actual amounts for FY 2016, has been reconciled to the Statement of Budgetary Resources. The FY 2019 President’s Budget, with actual amounts for FY 2017, will not be published until February 2018.

The budget that includes the fiscal year 2016 actual execution information is as follows:

FY2016	Budgetary Resources	Obligations Incurred	Net Outlays
Statement of Budgetary Resources	\$19,587,438	\$ 9,782,372	\$10,915,274
Spending Authority from Offsetting Collections	10,995		
Unobligated Balance Not Available	7,935,563		
Rounding	359,120	217,628	84,726
Budget of the U.S. Government	\$12,000,000	\$10,000,000	\$11,000,000

NOTE 11. APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED

Obligations incurred and reported in the Statement of Budgetary Resources in 2017 and 2016 consisted of the following:

	2017	2016
Direct Obligations, Category B	\$ 8,513,756	\$ 9,782,372
Total Obligations Incurred	\$ 8,513,756	\$ 9,782,372

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, 2017 and 2016, budgetary resources obligated for undelivered orders are as follows:

	2017	2016
Undelivered Orders	\$ 4,296,052	\$ 5,849,717
Total Undelivered Orders	\$ 4,296,052	\$ 5,849,717

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.

	2017	2016
Resources Used to Finance Activities		
Budgetary Resources Obligated		
Obligations Incurred	\$ 8,513,756	\$ 9,782,372
Spending Authority from Offsetting Collections and Recoveries	(594,798)	(465,333)
Obligations Net of Offsetting Collections and Recoveries	7,918,958	9,317,039
Other Resources		
Transfers in/out Without Reimbursement	-	-
Imputed Financing from Costs Absorbed by Others	134,299	177,656
Net Other Resources Used to Finance Activities	134,299	177,656
Total Resources Used to Finance Activities	8,053,257	9,494,695
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	1,458,401	1,132,593
Total Resources Used to Finance the Net Cost of Operations	9,511,658	10,627,288
Generate Resources in the Current Period	176,439	212,520
Net Cost of Operations	\$ 9,688,097	\$10,839,808

NOTE 14. REQUIREMENT PAYMENTS AND GRANT PROGRAMS

The largest of the EAC 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. EAC's discretionary grants have been completed and closed.

	2017	2016
FY 2009 Section 251 Requirements Payments	\$	
FY 2010 Section 251 Requirements Payments	1,929,468	1,557,242
FY 2011 Section 251 Requirements Payments	37,968	40,034
Section 251 Requirements Payments	(60,652)	
Accessible Voting Technology		246,962
Logic and Accuracy Grant Program		2,010,998
Net Cost of Operations	\$ 1,906,784	\$ 3,855,236

During FY 2017, EAC received a grant refund of \$60,652. There were disbursements to one state totaling \$1,967,436.

NOTE 15. CUSTODIAL CASH COLLECTIONS

A cash collection for an employee in the amount of \$75 (\$15.36 original debt plus \$69.64 in fees and interest) was not reported for debt collection in the timeframe prescribed by the Debt Collection Improvement Act. The collection was deducted from the employee's final paycheck, closing the activity.

	2017	2016
Miscellaneous	\$ 75	\$ -
Total Cash Collections	\$ 75	\$ -

What is the OIG mission?

The OIG audit 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 detect and prevent 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.

How can I obtain copies of OIG reports?

Copies of OIG reports can be requested by e-mail. (eacoig@eac.gov)

Mail orders should be sent to:

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

Phone: 301-734-3105

Fax: 301-734-3115

How can I report fraud, waste or 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
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

