



U.S. ELECTION ASSISTANCE COMMISSION
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October 15, 2009

Memorandum

To: Gineen Bresso Beach
Chair, U.S. Election Assistance Commission

From: Curtis W. Crider *Curtis W. Crider*
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 what the Office of Inspector General (OIG) considers to be the most serious management and performance challenges facing the U.S. Election Assistance Commission (EAC). We have compiled this list based upon our audit, inspection and evaluation work; general knowledge of the agency's operations; and the reports of others such as the Government Accountability Office (GAO).

This year's management challenges fall into four categories: (1) performance management and accountability; (2) financial management and performance; (3) information technology management and security; and (4) human capital management. Of these challenges, two were present in the prior year and two are new. 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 call me at 202-566-3125.

Attachment

**EAC MANAGEMENT AND PERFORMANCE CHALLENGES
FISCAL YEAR 2009**

The U.S. Election Assistance Commission's (EAC) FY 20089 Top Management Challenges identified by the Office of Inspector General (OIG) are below. The OIG assessed the EAC's progress in these areas and continues to review and monitor how these issues are addressed.

- Performance Management and Accountability
- Financial Management and Performance
- Information Technology Management and Security
- Human Capital Management

CHALLENGE 1: PERFORMANCE MANAGEMENT AND ACCOUNTABILITY

In fiscal year 2008, the OIG issued the following management challenge:

Effective management and accountability are integral to any operation and must start with senior management. At the EAC, senior management consists of four full-time commissioners and an executive director. However, confusion over the roles and responsibilities of the commissioners and the executive director has resulted in a lack of leadership, a failure to hold people accountable, and a decline in staff morale. EAC has recently delineated the roles and responsibilities of the commissioners and the executive director.

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

Actions to improve EAC operations are being accomplished; however, a significant amount of work still needs to be done. Without effective management and accountability, the ability of the EAC to meet its mission is substantially diminished.

Performance management and accountability continues to be a challenge for EAC in fiscal year 2009 and beyond, as EAC has not adopted and implemented the needed policies and procedures to define the performance plans and measurements for the various EAC programs, identify the reporting relationships beyond the executive director and commissioners, and establish effective internal controls. The EAC has completed draft policies and procedures for some of its programs, but has not adopted or implemented them. In the current environment of increased transparency and accountability, it is critical that EAC have these goals, measures, policies and procedures in place. EAC is accountable to the American public as to whether its programs and activities mirror its goals and objectives, as well as whether the programs and activities are ultimately successful in comparison to the established goals and measures.

EAC's Progress

EAC has made some progress toward the development of a strategic plan or direction for the agency as well as the implementing policies and procedures that flow from the strategic plan. The following is a listing of the activities that EAC has completed:

- Adopted an agency-wide strategic plan in March 2009
- Adopted a roles and responsibilities document that delineates responsibilities between the commissioners and the executive director in September 2008

In addition, EAC is in the process of developing strategic planning tools for each of its divisions or programs, including the policies and procedures needed to implement the programs' strategic direction. The EAC anticipated having this work completed on or before June 30, 2009. EAC has not, however, implemented those policies and procedures.

CHALLENGE 2: FINANCIAL MANAGEMENT AND PERFORMANCE

In fiscal year 2008, the OIG issued the following management challenge:

EAC lacks the ability to effectively manage its financial operations. In fiscal year 2007, poor control over its budget and expenditures resulted in the organization returning about \$2.4 million to the U.S. Treasury despite the need for additional staff and systems to deliver services and complete statutory tasks. In fiscal year 2008, problems persisted. EAC did not set up an operating budget for its divisions or a sufficient system to determine the status of its appropriations. Furthermore, it was not until a contractor was brought on in July 2008 that the EAC determined how much operating money it had spent and how much it had left.

More recently, the independent auditors, Clifton Gunderson LLP (CG), under contract with the OIG, were unable to complete an audit of the EAC's financial statements for fiscal year 2008 due to management's inability to provide timely financial information and material weaknesses in internal controls. In regards to controls, management was not able to assure that it had identified, implemented, and tested internal controls over its financial or program operations. Congress established management's responsibility for internal controls in the Federal Managers Financial Integrity Act of 1982 (FMFIA). The Office of Management and Budget (OMB) issued implementing instructions to Federal agencies in Circular No. A-123. The Circular requires agencies to issue an annual statement to OMB on whether the Agency's financial, management, and automated information security system controls conform to the government-wide standards. The EAC however, does not have a process to make such a determination.

ACTIONS NEEDED

To move forward, the Commissioners must put someone in place that has the responsibility and authority to manage the daily operations of the agency. Simultaneously, the EAC must develop and implement a comprehensive strategy that addresses the need for qualified and capable financial management staff; and corrects inconsistent and flawed business processes, unreliable financial information, and non-existent FMFIA process.

The OIG's 2008 Assessment Report identified weaknesses that related to seven findings that directly impact the EAC's financial management function. According to EAC's follow-up report, only one of those five of those findings remains open. However, the EAC must adequately implement internal controls and procedures to ensure that funds are reported and expended properly. Furthermore, it must complete a risk assessment to identify internal and external risks so as to identify and implement internal controls to mitigate those risks.

EAC's Progress

EAC has made progress toward the development of policies and procedures and implementation of additional personnel and financial resources to remedy the weaknesses identified in the OIG's 2008 Assessment Report. The following is a listing of the activities that EAC has completed:

- Hired a CFO/Budget Officer
- Hired an Accounting Director
- Reconstructed accounts to adequately record most obligations and expenditures
- Developed a list of financial laws and regulations that apply to EAC
- Adopted a strategic plan which included a new organizational structure for the Administrative Division
- Implemented monthly fund control reviews
- Developed policies and procedures to implement audit follow-up

CHALLENGE 3: INFORMATION TECHNOLOGY MANAGEMENT AND SECURITY

The Federal Information Security Management Act (FISMA) requires each federal agency to develop, document and implement an agency-wide program to provide information security and develop a comprehensive framework to protect the government’s information, operations and assets. To ensure the adequacy and effectiveness of information security controls, the OIG annually assesses the EAC’s efforts to safeguard data processed by its computer systems and networks. Our reviews have found that the EAC is not in compliance with FISMA or in pertinent part with the Privacy Act. For EAC, managing and securing information is a significant deficiency.

EAC’s Progress

The most recent FISMA review found that the EAC has made significant efforts to improve its information technology security and to protect its sensitive data; however, there is still work to be done to bring EAC into compliance with FISMA and OMB requirements. The following are the current findings related to information technology and data security:

Finding Number	Title
FY09-01	Establish an overall comprehensive plan of action and milestone (POA&M) document, with target dates for completion of corrective actions, to address the problems noted in this report. Assure that the plan is monitored on a monthly basis and updates provided to the commissioners.
FY09-02	Provide sufficient specialized training to EAC personnel to enable EAC to develop and maintain a risk-based IT security program that meets FISMA requirements, or hire an official that has experience managing an agency-wide IT security program.
FY09-03	Establish a continuous monitoring program to address the NIST 800-53 requirements.
FY09-04	Finalize the EAC IT security handbook, and establish a process to identify and document necessary operational processes to enable personnel to meet the control requirements contained in the handbook, and applicable NIST control requirements.
FY09-05	Assign a high priority to the completion of required contingency plans and COOP documents.
FY09-06	Implement the minimum password settings for the network. Ensure that other FDCC mandatory configuration settings are established as soon as possible.

Finding Number	Title
FY09-07	Implement access controls required by FISMA, including controls over all remote access methods, and OMB guidance on securing PII data.
FY09-08	Finalize the risk assessment, and ensure it is used to develop risk-based controls, and as a starting point for development of contingency plans and COOP documents.
FY09-09	Monitor ongoing actions to ensure that compliance with OMB PII guidance and Privacy Act requirements are completed expeditiously.
FY09-10	Establish controls over the audit logs maintained to ensure that the system is capable of providing required alerts. Ensure that periodic reviews are made of the logs to identify any unusual activity, other concerns or problems.
FY09-11	Ensure that access controls are implemented for all EAC network devices.

CHALLENGE 4: HUMAN CAPITAL MANAGEMENT

The Government Accountability Office (GAO) has designated strategic human capital management as a high risk area across the federal government since 2001. According to GAO, human capital management is a government wide problem that is eroding the ability of many agencies to economically, efficiently, and effectively perform their missions. GAO recognized that an agency’s workforce is its most important organizational asset. Agencies alter the organization’s performance by the way that they treat and manage their staffs and build commitment and accountability by involving and empowering their employees. GAO provided a framework for improving human capital management across the federal government which included recruiting, hiring, developing and retaining employees with the skills needed for mission accomplishment; creating an employee-friendly work place; and empowering and motivating employees while ensuring accountability and fairness in the workplace.

For the past two years, EAC has participated in the government’s annual employee survey. The results of these surveys identify critical weaknesses in EAC’s human capital management efforts. The EAC employees have consistently expressed their dissatisfaction with ability of EAC leadership to generate high levels of motivation, to review and evaluate the organization’s progress toward meeting goals and objectives, and to communicate the organization’s goals and priorities. Employees did not report a sense of involvement in the decisions that impact their work, the policies and practices of the senior leaders, or that management shares information about what goes on the organization. Employees also do not believe that promotions and rewards are merit based or reflect how well the employee performs his/her job. Perhaps the most disturbing of the survey questions reports that the percentage of employees that feel that they can report a violation of law, rule or regulation without fear of reprisal fell from 55.6% in 2007 to

36.3% in 2008. The results of this survey show that EAC does not operate an employee-friendly work place and that its efforts to empower and include employees have fallen short. EAC must evaluate its personnel management strategy and its successes and failures to develop an approach toward human capital management that will ensure a qualified, satisfied work force is available to do the work necessary to fulfill its mission.

Likewise, EAC must ensure that it has trained, experienced personnel assigned to critical functions. The OIG assessed EAC operations in 2008 and determined that there were significant gaps in qualified personnel to perform critical financial and administrative functions. While some progress has been made to increase the number of employees in critical functions that have federal government experience, there are still functions that either have not been assigned or are currently assigned to untrained, inexperienced personnel. EAC must evaluate its critical administrative and programmatic functions to determine its personnel needs. Those needs should be compared to its personnel resources. Functions should be assigned to persons who are trained and experienced in the activity or persons should be recruited to fill those posts.

EAC's Progress

EAC has made some progress, mostly in the area of hiring additional personnel to staff the accounting and financial management function. The EAC has hired a contracting officer, a CFO/Budget Officer, and an Accounting Director. EAC also reports having completed a skills inventory of all EAC programs. The assessment was conducted in conjunction with the Office of Personnel Management (OPM). However, it is unclear whether the assessment focused on what skill sets are available at EAC or what skill sets are needed at EAC. The OIG encourages EAC to assess both sides of that coin: what is needed and what assets are present.