



# **U.S. ELECTION ASSISTANCE COMMISSION**

## **AGENCY FINANCIAL REPORT**

**November 15, 2018**

ABOUT THIS REPORT

For FY 2018 reporting purposes, the U.S. Election Assistance Commission (EAC) has again elected to submit an Agency Financial Report (AFR), with an Annual Performance Report along with the Congressional Budget Justification, and a Citizens' Report. The reports are targeted to the Office of Management and Budget (OMB), Congress, and the Public, respectively. The AFR allows EAC to focus on and lay out its financial position at this time, providing summary performance data. A combined Annual Performance Report/Congressional Budget Justification, and a Citizen's Report, will follow per guidance in OMB Circulars A-11, *Preparation, Submission, and Execution of the Budget* and A-136, *Financial Reporting Requirements*.

Information about EAC's programs is available at [www.EAC.gov](http://www.EAC.gov).



**November 15, 2018**

## **MESSAGE FROM THE CHAIRMAN**

The U.S. Election Assistance Commission (EAC) is an independent bipartisan agency established by Congress “to assist in the effective administration of Federal elections.” This Fiscal Year (FY) 2018 Agency Financial Report describes the commission’s accomplishments, financial activity results during the past fiscal year, and ongoing efforts to strengthen internal controls and financial management.

This is the eleventh year the EAC has undergone a financial statement audit per the Accountability of Tax Dollars Act of 2002. In the Independent Auditor’s Report, the EAC received an unmodified (“clean”) audited financial statement opinion with no material weaknesses. It is the tenth year that the EAC has chosen the option available in the Office of Management and Budget Circular A-136, Financial Report Requirements to submit an Agency Financial Report and Annual Performance Report instead of the Performance and Accountability Report. EAC presents summarized performance data in this report and will provide more detailed data in conjunction with the FY2020 Congressional Budget Justification.

When the Help American Vote Act (HAVA) was signed into law on October 29, 2002, it established sweeping reforms to the nation’s voting process, including creation of the Voluntary Voting System Guidelines (VVSG), establishment of a national voting system certification program, and the formation of the EAC to serve as the nation’s only federal agency solely focused on election administration. Since its inception, the EAC has:

- Issued 52 voting system certifications, including 10 full systems and 40 system modifications.
- Conducted election system manufacturing facility audits, quality assurance audits of voting system manufacturers, and formal and informal investigations of voting systems in the field;
- Accredited and monitored voting system test laboratories;
- Drafted and approved two versions of the VVSG and are near ready for a Commission vote to adopt the next generation of testable voting system requirements that will inspire innovation and result in cost savings;
- Awarded, monitored, and audited state HAVA grants totaling nearly \$3.7 billion for election administration and voting system modernization, including \$380 million allocated by Congress in March 2018;

- Administered discretionary grant programs for mock election and college poll worker programs, accessibility innovations, military voting projects, and logic and accuracy testing;
- Created, administered, and reported the biennial Election Administration and Voting Survey (EAVS) for all federal elections, issuing reports and data sets for each survey year;
- Created and maintained a clearinghouse for election information including a dynamic website, robust video catalog, best practices guides, original research products, and social media engagement campaigns.
- Brought together state and local election officials, federal government experts, academic leaders, and voter advocates for a series of roundtables, webinars and summits on a variety of timely topics, such as election security, accessibility and efficiency.

The EAC's FY18 activities were largely guided by its new strategic plan, which was formally adopted in February 2018. The strategic plan, which will guide the commission's activities through 2022, is rooted in four primary goals: analyze, build, distribute, and operate. Each goal has a set of concrete supporting objectives. Below is a summary of the commission's key activities and accomplishments during FY18:

### **DISTRIBUTING HAVA GRANTS**

On March 23, 2018, the Consolidated Appropriations Act of 2018 was signed into law, making \$380 million available to states to improve the administration of federal elections, the first new appropriations for HAVA funds since FY2010. These funds came at a critical time. Voting equipment across the country had surpassed 10, or in some cases, 15 years of age and election officials were working to improve the security of their election systems.

With the 2018 midterm elections not far off, the EAC worked to make funds available to states as quickly as possible so they could have an immediate impact. States received grant award notification letters in early April, which allowed them to incur costs, with prior EAC approval, against the forthcoming grant awards. The Commission has also distributed Congressional guidance on how states could spend the funding and held a public forum on April 18, 2018 to provide additional guidance. Funds were then available for states to draw down and deposit in their election accounts once they returned signed grant documents and the required certifications and assurances, making it feasible for jurisdictions to immediately begin system upgrades to enhance election security ahead of the 2018 Federal Election.

Even as election officials across the nation prepared for the upcoming midterm elections, they wasted no time in requesting HAVA funds and developing their plans to bolster election security and administration. By July 17, the EAC announced each of the 55 eligible states and territories had requested 100 percent of the newly appropriated HAVA funds and an 88 percent or \$333,921,264 had already been transferred into state accounts.

On Tuesday, August 21, 2018, less than five months after the omnibus appropriations bill was signed into law and 77 days before the 2018 midterm elections, the EAC published program

narratives and budgets outlining plans to increase election security from 48 of the 55 states and territories eligible to receive the newly appropriated HAVA funds. By mid-September, all 55 states and U.S territories had submitted their final security plans and budgets and 100 percent of the 380 million had been disbursed.

The Commission made all state narratives and budgets public in order for the election community and the American people to have the particulars on how the states and territories were expending their funds. It is essential that the states and territories have access to the wealth of ideas and innovative approaches contained in other states' individualized planned activities as they plan their own use of the funds. It is equally essential that the voting public know how states are using federal funds to update and secure their systems.

Election security enhancements including new voting equipment and cybersecurity protections made up nearly two-thirds of total investments detailed in state narratives and budgets. States and territories allocated the remaining third to improve voter registration systems, post-election audit activities and election-related communications, and establishing reserves for future programming.

The state and territory narratives contained expenditures for items such as personnel, equipment, sub-grants awards, trainings and accessibility improvements. Many of the documents also contained information on how grant recipients would comply with statutorily required activities, such as the 5 percent state funding match that must be provided within the next two years.

The steady rate of incoming requests the EAC received for this critical funding made clear the urgent need for new resources and was a testament to the dedication of election officials to bolster the security of our country's election systems. However, requesting HAVA funding was just one of the ways states worked to make their election systems more resilient, just as the EAC's distribution of HAVA funds was just one aspect of the EAC's election security work. While the long-term impact of the new HAVA funding will be determined by how states and territories choose to use it, Americans should feel assured their election systems have integrity because of the diligent efforts of election officials around the country to improve every aspect of their systems.

The vast majority of states and territories plan to spend their allotted funds within the next two to three years. Each funding recipient is required to file a standard Federal Financial Report and updated program narrative for each fiscal year and may be audited by the EAC's Inspector General. The first Progress and Financial Reports from states and territories were due to the EAC on December 31, 2018. The Commission will produce a brief summarizing how new HAVA funds are being used in the first quarter of 2019 as our team provides technical assistance and grants management advice to state election offices as requested.

## **SUPPORTING SECURE, EFFICIENT, ACCESSIBLE ELECTIONS**

A key goal of the EAC mission is to help election officials improve the administration of Federal Elections through the distribution of assistance and products. During the previous fiscal year, the EAC accomplished this by producing timely resources at critical moments in the election cycle, convening key leaders to discuss the most pressing issues facing election administrators, and elevating the profile and credibility of the agency.

### **Events**

The EAC's calendar and strategy for FY18 was defined by the elections cycle and how the agency could produce products and services at the most impactful times for election officials and voters. The commission began the 2018 calendar year by hosting its *EAC Summit: The 2018 Federal Election*, an event the convened nearly than 150 election officials, lawmakers, advocates, and other election stakeholders from around the country to examine election security, increasing accessibility, and improving the voter experience. This initial summit set the tone for the year, facilitating discussions where election officials could set priorities for the upcoming year and examine solutions their peers were implementing.

Ahead of its April 2018 Standards Board and Board of Advisor meetings in Miami, the EAC held a second major event featuring a public forum on election security. The forum came just weeks after the Consolidated Appropriations Act of 2018 provided \$380 million in new HAVA funds. This EAC public forum was the first of its kind ahead of the 2018 election and was an opportunity for state and local election officials from across the nation to provide statements about their election cybersecurity efforts. The discussion also featured details about the new funding and EAC's leadership efforts in this area.

The EAC's commitment to convening election officials and other stakeholders continued during the EAC's *Election Data Summit* held in Philadelphia on July 12 in conjunction with the Pennsylvania Department of State. Just two weeks later, the commission partnered with Democracy Fund Voice and the Arizona State University Pastor Center for Politics and Public Service to host a *Language Access Summit*. The fiscal year concluded with final preparations for the commission's October 3 *EAC Election Readiness Summit and Election System Vendor Fair* on Capitol Hill, hosted just one month before the 2018 midterm election. The Election Data Summit, Language Access Summit, and Election Readiness Summit each brought at least 120 to 140 election stakeholders together and many more participated via live video stream.

### **Communications Outreach**

From a communications perspective, the EAC's professional communications staff produced 46 press releases, 4 major events and 3 original videos highlighting best practices, new developments, and commending key work of election officials and workers. It also produced 72 blogs, including series focused on voter list maintenance, women in elections, security, and other timely topics. The products with the furthest reach and impact were those which were relevant to election officials and voters. For example, the *EAC Election Security video* released in March 2018 was a useful tool for election officials, regardless of their geographic location, to

educate voters about the many layers of security in place to protect elections. This video was repurposed by multiple Secretaries of State, who used it as a key education tool for voter education efforts. It was also used as a resource for election worker trainings across the country ahead of the 2018 midterm elections.

Following the designation of *\$380 million in new HAVA funds* and the receipt of 48 out of 55 state narratives and budgets, the Communications team implemented a rollout strategy that resulted in a widespread national coverage of the grants administration program and how states plan to use the newly appropriated funds. Commissioners and staff participated in dozens of media interviews. In addition, Commissioners participated in regional press calls with several Secretaries of State, who provided regional context specific to more localized markets. This resulted in multiple positive national stories about the role of EAC in the election community, including wire coverage that was picked up by hundreds of regional outlets around the country.

Outside of the grant release, the EAC proactively pitched stories about services and products the agency provides election officials, such as the Testing & Certification team's IT Management training, discussed later in this note. The Communications team also proactively developed and pitched opinion pieces and longer scholarly articles from Commissioners. Such placements help the EAC reach the broadest possible audience and drive its own message on election administration and the role of the Commission in this space.

From a social media perspective, the EAC experienced significant growth during FY2018. The commission's YouTube video offerings grew by 20%, including new roundtables on cybersecurity, ways to improve voter participation, and best practices in list maintenance procedures. The Commission grew its Twitter followers by nearly 20%, and its Facebook fan base increased by 57%. The commission's website had 950,000 page views, including more than 150,000 visitors to its National Voter Registration Form.

Overall, these accomplishments represent significant progress for the EAC communications efforts in comparison to years past. The agency is producing more events with timely content, growing its social networks, increasing its public profile in the press, and taking other significant steps to reach the election officials and voters it serves. In addition, the Communications team has deepened its relationships with journalists and increased coverage of the agency, particularly around grants administration and convening election leaders. It has professionalized the look and feel of public presentations, online content, and physical products.

### ***Producing Impactful Products and Programs***

In FY18, the EAC's research team created a suite of new reports and tools leveraging data from the 2016 Election Administration and Voting Survey, and undertook a number of key activities supporting the 2018 EAVS and accompanying Election Administration and Policy Survey (Policy Survey).

The EAC published four election data issue briefs called EAVS Deep Dives in FY18. These briefs took an in-depth look at four categories of data collected through the 2016 EAVS and earlier iterations of the survey: 1) early, absentee, and mail voting; 2) poll workers and polling places; 3) election technology; and 4) provisional ballots. The election data issue briefs provided analysis that helps demonstrate the changing landscape of U.S. elections, including the steady expansion of alternatives to traditional in-person Election-Day voting, the rapid increase of the use of online voter registration, and the rise in electronic poll book usage, among other important findings. With election officials and policy makers increasingly focused on election security following the 2016 elections, the issue briefs' findings on election technology and fail-safe procedures such as provisional ballots were particularly valuable. Additionally, the EAC launched its first ever online interactive tool using EAVS 2016 data, which greatly enhances the accessibility of EAVS data to election officials, policymakers, researchers, and the broader public.

The EAC also commenced implementation of the 2018 EAVS and accompanying 2018 Policy Survey in FY18. The agency awarded a four-year Blanket Purchase Agreement to Fors Marsh Group to serve as its implementing partner for the surveys in 2018 and 2020. In FY18, the EAC distributed the 2018 EAVS and Policy Survey to the states, developed a plan to provide targeted technical assistance to survey respondents, began collecting responses to the 2018 Policy Survey, and started development of a pilot program to conduct the EAVS in an online format. These and other activities planned for FY19 are expected to ease the burden on survey respondents, improve data quality and completeness, and make EAVS data more accessible to end users. The 2018 EAVS and Policy Survey will provide Congress, the election administration community, and the broader public with a comprehensive look at how the 2018 elections were administered in all U.S. states and territories on issues ranging from voter registration to early and mail voting, voting by military and overseas citizens, polling operations, provisional ballots, and election technology.

The EAC also conducted a number of activities and developed multiple new resources to assist election officials and voters in FY18. For example, the EAC:

- Launched a revamped the "Register and Vote in Your State" page and federal elections calendar on the EAC website to better assist voters to register to vote and participate in elections
- Worked with federal and state partners to conduct tabletop security exercises to improve the resilience and security of election systems across the nation with over 600 participants.
- Conducted "Election Official as IT Manager" trainings in 8 jurisdictions across the nation with over 500 election officials participating.
- Co-Chaired the Government Coordinating Council established under the designation of elections as part of the nation's critical infrastructure.
- Testified before Congress to discuss specific steps the EAC has taken to shore up election security ahead of the 2018 Federal Election.
- Developed a clearinghouse issue brief on language accessibility.
- Issued a white paper on Risk Limiting Audits.



- Held its second annual Clearinghouse Awards program recognizing election officials for their innovative work and identify best practices in election administration.
- Processed seven state-requested updates to the National Voter Registration Form instructions and accompanying Spanish and Asian-language translations.
- Participated in risk limited audit workshops in states considering implementing this auditing process.

### ***Testing and Certification***

As the EAC continues to carry out its voting system testing and certification program, it is also focused on finalizing the next generation of Voluntary Voting System Guidelines (VVSG). In April, both the EAC Standards Board and Board of Advisors passed resolutions recommending that the EAC move forward with the process of considering the draft VVSG 2.0 Principles and Guidelines document for full adoption. Both boards passed an amendment to the resolution recommending that the EAC adopt, within the Testing and Certification Program Quality & Program Manual, a process for VVSG 2.0 requirements and Test Assertions to be updated in the absence of a quorum of EAC Commissioners.

The VVSG are a set of specifications and requirements against which voting systems can be tested to determine if the systems meet required standards. Some factors examined under these tests include functionality, accessibility, accuracy, auditability and security capabilities. The structure of the new VVSG reflects modifications proposed by the EAC, NIST and the TGDC, through its VVSG 2.0 Public Working Groups, which are comprised of election officials, voting system manufacturers, disability experts, cyber security experts, technology experts, and other key election stakeholders. The new guidelines are a nimble high level set of principles that will be supplemented by accompanying documents that detail specific requirements for how systems can meet the new guidelines and obtain certification. The supplemental documents will also detail assertions for how the accredited test laboratories will validate that the system complies with those requirements.

Nearly midway through FY18, the EAC lost its quorum of commissioners. The commission has continued to take steps that can ensure a new version of the VVSG moves forward for the HAVA mandated public comment period and final adoption once a commissioner quorum is restored.

As the EAC looks ahead to the next fiscal year, it plans to build on the success of FY18 and continue to seek direction from its newly adopted strategic plan. The Commission will focus on its four primary goals - analyze, build, distribute, and operate – and continuing search for ways to improve services for election officials and the voters they serve.

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

an unqualified statement of assurance that the agency's internal control and financial management system meets the Federal Managers' Financial Integrity Act.

The EAC stands ready to continue assisting state and local election officials to help America vote.

Sincerely,

A handwritten signature in cursive script that reads "Thomas Hicks".

Thomas Hicks  
Chairman  
U.S. Election Assistance Commission

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## SECTION I Management Discussion and Analysis

The Management Discussion and Analysis (MD&A) is presented in accordance with Statement of Federal Financial Accounting Standards (SFFAS) 15. The MD&A is intended to provide a clear and concise description of the agency's mission and organizational structure; high-level discussion of key performance goals, results and measures; analysis of financial statements, systems, controls, and legal compliance; and actions taken or planned to address issues. It provides a balanced analytical assessment, with both positive and negative information, of key program and financial performance. The MD&A is a vehicle for communicating insights about the agency, its operations, programs, successes, challenges and future outlook. Contents of this report and the MD&A are in conformance with Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*.

### I.A. BACKGROUND, VISION, MISSION AND ORGANIZATIONAL STRUCTURE

In October 2002, Congress passed the Help America Vote Act (HAVA) of 2002. The law recognized the need for states to invest in their election infrastructure. The Act set out comprehensive programs of funding, voluntary guidance, and research. To foster those programs and to promote and enhance voting for United States citizens, HAVA established the Election Assistance Commission (EAC). In passing the EAC's 2018-2022 Strategic Plan, the EAC framed the mission and vision of the agency set out in its chartering legislation as the following.

EAC Mission Statement:

*The U.S. Election Assistance Commission helps election officials improve the administration of elections and helps Americans participate in the voting process.*

EAC Vision Statement:

*A trusted, proactive, and responsive federal agency that helps election officials administer and voters participate in elections.*

The EAC is an independent, bipartisan agency. By statute, four full-time Commissioners, appointed by the President and confirmed by the U.S. Senate, and three Federal advisory committees -- the Standards Board, Board of Advisors, and Technical Guidelines Development Committee -- guide the EAC. Currently, there are two Commissioners. The EAC is statutorily charged with:

- adopting voluntary voting system guidelines available for use by the states,
- accrediting voting system testing laboratories and certifying voting systems,
- developing guidance for state and local election officials to meet HAVA requirements,
- serving as a national Clearinghouse of information on election administration, including tools and best practices,

- maintaining the National Mail Voter Registration Form, developed in accordance with the National Voter Registration Act (NVRA) of 1993,
- promoting accessibility for voters with disabilities,
- providing grantees with technical assistance on use of payments and grant funds, and
- auditing the use of HAVA funds.

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

The Director of the National Institute of Standards and Technology (NIST) of the U.S. Department of Commerce serves as the Chair of the TGDC, and provides technical support to the Committee. Additionally, HAVA specifies that NIST provide recommendations to EAC regarding voting system test laboratories. Since Fiscal Year (FY) 2004, EAC's annual appropriations have included a total to date of \$38.2 million for NIST support.

In Fiscal Years 2003 and 2004, Congress appropriated nearly \$3 billion in Federal financial assistance for payments to states under Titles I and II of HAVA. States received the funds to upgrade their voting systems, establish statewide voter registration databases, train election officials, and educate voters. In Fiscal Year 2003, the General Services Administration (GSA) distributed \$649.5 million in HAVA funds to the fifty states, Guam, Puerto Rico, the U.S. Virgin Islands, American Samoa and the District of Columbia on the EAC's behalf. The funds were distributed for activities to improve the administration of elections (HAVA Section 101) and to replace punch card and lever voting machines (Section 102).

The Senate confirmed four Commissioners in December 2003, and EAC began operations in January 2004. The Agency's Fiscal Year 2004 operating budget was \$1.7 million. At the close of the fiscal year, the EAC had a staff of 18. The EAC's focus in 2004 was to assemble staff, obtain office space, arrange for administrative support from the GSA, establish a website, start election administration clearinghouse operations, and distribute Federal financial assistance to the states.

In FY 2004, EAC also appointed a statutorily-required General Counsel. During Fiscal Year 2005, EAC appointed its other statutorily-required positions: the Executive Director, and an interim Inspector General. EAC's focus in subsequent years was on upgrading the VVSG, completing required research to promote effective Federal elections and present key data on election practices and voting, instituting a voting system testing and certification program, auditing state use of HAVA funds, and providing information on improving elections to its stakeholders.

In FY 2007, Congress recognized the expanding Agency responsibilities and lifted the full-time equivalent staffing ceiling of 24. As of the end of FY 2018, the EAC had 24 full-time and three part-time staff. Since its inception, EAC has received \$2,606,150,000 in requirements payments; and \$24,350,000 in discretionary grant funds for Poll Workers, Mock Elections, Election Data Collection, Voting Technology Improvement Research and Equipment, and Pre-Election Logic and Accuracy Testing and Post-Election Verification. EAC also tracks and provides technical assistance

on the Section 101 funds to improve the administration of Federal election is reported by the states as available. The time period for using the Section 102 punch card/lever replacement funds expired, and EAC collected all unused funds by the end of FY 2018.

Today, the EAC continues to fulfill its congressionally mandated mission. This mission includes new focuses worth mentioning. The EAC is one of the leaders in election cybersecurity, collaborating with other federal agencies such as the Department of Homeland Security (DHS). This collaboration helped to create the Government Sector Coordinating Council (GCC), that helps election officials and DHS to work together on election systems as part of the nation's critical infrastructure. Additionally, Congress appropriated in \$380 million to assist states with election security. The agency distributed these funds to all 55 states and territories in under six months of the appropriation. The EAC continues to operate efficiently and provide effective resources to election officials and voters. For more information on the EAC's current activities under its congressional mandates see the following Management Discussion and Analysis section.

**FUNDING**

**EAC Appropriation History Fiscal Years 2003 – 2018  
 (Dollars in Thousands)**

Fiscal Year	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total
Section 101 and 102	649,500																649,500
Administrative Expenses	500																500
<b>Subtotal 101, 102</b>	<b>650,000</b>																<b>650,000</b>
<b>Election Reform Program Grants</b>																	
Requirements Payments	830,000	<sup>1</sup> 1,491,150				115,000	100,000	70,000									2,606,150
Poll Worker Grants	1,500																1,500
Foundation	1,500																1,500
Voting Technology Research							5,000	3,000									8,000
Testing & Verification							1,000	2,000									3,000
Election Security Grants																380,000	380,000
<b>Sutotal, Election Reform</b>	<b>833,000</b>	<b>1,491,150</b>				<b>115,000</b>	<b>106,000</b>	<b>75,000</b>								<b>380,000</b>	<b>3,000,150</b>
<b>Election Data Collection Grants</b>																	
<b>Subtotal, Data Collection</b>						<b>10,000</b>											<b>10,000</b>
<b>EAC Salaries &amp; Expenses (S&amp;E)</b>																	
Operations	2,000	1,674	<sup>2</sup> 11,110	10,986	11,313	12,330	12,909	13,409	13,024	8,750	8,292	8,100	8,100	8,100	8,200	8,600	146,897
Mock Election Grants						200	300	300									800
Poll Worker Grants				300		750	750	750									2,550
Transfer to NIST			2,778	2,772	4,950	3,250	4,000	3,500	3,243	2,750	2,745	1,900	1,900	1,500	1,400	1,500	38,188
<b>Subtotal, S&amp;E</b>	<b>2,000</b>	<b>1,674</b>	<b>13,888</b>	<b>14,058</b>	<b>16,263</b>	<b>16,530</b>	<b>17,959</b>	<b>17,959</b>	<b>16,267</b>	<b>11,500</b>	<b>11,037</b>	<b>10,000</b>	<b>10,000</b>	<b>9,600</b>	<b>9,600</b>	<b>10,100</b>	<b>188,435</b>
<b>TOTAL</b>	<b>1,485,000</b>	<b>1,492,824</b>	<b>13,888</b>	<b>14,058</b>	<b>16,263</b>	<b>141,530</b>	<b>123,959</b>	<b>92,959</b>	<b>16,267</b>	<b>11,500</b>	<b>11,037</b>	<b>10,000</b>	<b>10,000</b>	<b>9,600</b>	<b>9,600</b>	<b>390,100</b>	<b>3,848,585</b>

1/ Carried forward to FY 2005

2/ Includes \$481,092 transferred from the Federal Election Commission

Election Assistance Commission  
FY 2018 Agency Financial Report

Status of Help America Vote Act Authorization versus Appropriations				
(in whole dollars)				
	Authorized		Appropriated FYs 2003-2018	Remaining
<b>GSA (FY 2003)</b>				
Election Administration Improvement (Section 101)	\$ 324,750,000		\$ 324,750,000	\$ -
Punch Card/Lever Machine Replacement (Section 102)	324,750,000		324,750,000	-
Administrative Expenses for 101 and 102	500,000		500,000	-
<b>EAC (FY 2003 – 2016)</b>				
Requirements Payments (Section 251)	3,000,000,000	**	2,606,150,000	393,850,000
Voting Technology Improvement Research Grants (Section 271)	20,000,000		8,000,000	12,000,000
Equipment and Technology Testing Pilot Program (Section 281)	10,000,000		-	10,000,000
Pre-Election Logic and Accuracy Testing & Post-Election Verification	3,000,000	1,4	3,000,000	-
Operations (Section 210)	188,435,000	2,4	188,435,000	-
Election Data Collection Grants	10,000,000	3	10,000,000	-
Election Security Grants	380,000,000	4	380,000,000	-
National Student and Parent Mock Election Organization (Section 295)	200,000	**	-	200,000.00
Poll Worker Grants (Section 501)	5,000,000	**	1,500,000	3,500,000.00
Help America Vote Foundation (Section 601)	5,000,000	**	1,500,000	3,500,000.00
<b>Total</b>	<b>\$4,271,635,000</b> <b>0</b>		<b>\$3,848,585,000</b>	<b>\$423,050,000</b> <b>0</b>

1/ Authorized by P.L. 111-8

2/ \$30 million per HAVA, balance per appropriations. Includes \$2.55 million Poll Worker grants and \$800,000 Mock Election Grants

3/ Authorized by P.L. 110-161

4/ Authorized by appropriations

\*\*Plus such sums as may be necessary in succeeding years

*Note:* excludes \$140 million plus such sums authorized for HHS under Disability Access Section 261 and Participation Section 291, \$15 million appropriated to GSA in FY 2003 for Title I, and \$5 million plus such sums for the Help America Vote Foundation Section 601



## Organization by Program

EAC has organized its offices around the mandates of HAVA. Below are brief descriptions of the four offices responsible for implementing the agency's strategic goals, as set out in the agency's current and previous strategic plans. Following the descriptions is EAC's organization chart.

### Communication and Clearinghouse

Research and Communication staff lead the EAC's clearinghouse program. These staff are responsible for external communications, and the tools and platforms used to provide information to election officials and the general public. Areas of responsibility include:

- the EAC Website and Clearinghouse,
- social media,
- media inquiries,
- external communications,
- Congressional relations,
- the Freedom of Information Act, and
- editorial support including press releases, speeches, and Congressional testimony.

The agency's website, [www.EAC.gov](http://www.EAC.gov), is the primary communications tool. EAC.gov contains thousands of documents and information about voting systems, informational videos, research, data, and program-related information. It also features on-demand webcasts and related information from public meetings, hearings, summits, and roundtables.

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

### Fund and Oversee

- provides technical assistance to the states on administering Federal funds,
- processes and disburses payments to the states,
- tracks the submission of and reviews the content of financial and performance reports submitted by states,
- analyzes audit reports and works with fund recipients on recommendations to resolve audit findings applicable to EAC's programs,
- reviews amended State Plan submissions on the use of Requirements Payments funds so states can comply with HAVA Title III, *Uniform and Nondiscriminatory Election Technology and Administration Requirements*, and
- drafts advisory opinions for Commission approval and issuance.

### Research, Policy and Programs

- administers the biennial Election Administration and Voting Survey (EAVS) to 50 states, the District of Columbia, American Samoa, Guam, Puerto Rico and the Virgin Islands (the states). The survey produces data and reports mandated by HAVA. Topics include the impact of the National Voter Registration Act of 1993, and the impact of the Uniformed and Overseas Citizens Absentee Voting Act (UOCAVA) on military and overseas voters' participation in Federal elections. EAVS is the only comprehensive collection and report of data on elections in the United States,
- conducts research on election administration topics as mandated by Congress and at the discretion of the Commission. Research has included administering elections in urban and rural areas; the feasibility and advisability of establishing free absentee ballot return postage; the feasibility of alternative voting methods; and the voting experiences of first-time voters who register to vote by mail,
- manages the National Mail Voter Registration Form as prescribed by the National Voter Registration Act of 1993 (NVRA), also known as "Motor Voter,"
- administers the Election Management Guidelines Program to assist state and local election officials with conducting secure, efficient, accurate, and accessible elections. The educational materials provide information and "Quick Tips" on topics such as: Employing Poll Workers, Polling Place Management, Voting Accessibility, Communicating with the Public, Contingency Planning, Managing Change in an Election Office, Serving UOCAVA voters, and Developing an Audit Trail for the verification of votes,
- manages the Language Accessibility Program that provides informational materials on the Federal election process, glossaries of election terminology in English and other languages, and translates the National Mail Voter Registration Form into languages other than English, and
- provides materials to voters and election administration officials to facilitate successful participation in Federal elections.

### Testing and Certifications

Under the Help America Vote Act, EAC is responsible for assisting states with improvements to voting systems through the distribution of Federal funds. EAC accredits voting system test laboratories and certifies voting equipment. Participation by states in the certification program is voluntary. Throughout the certification process, test plans, test reports, and reports on voting system anomalies in the field are provided to election officials. Staff works with the National Institute of Standards and Technology (NIST) to evaluate and accredit voting system test laboratories, and on management of the voting system certification process.

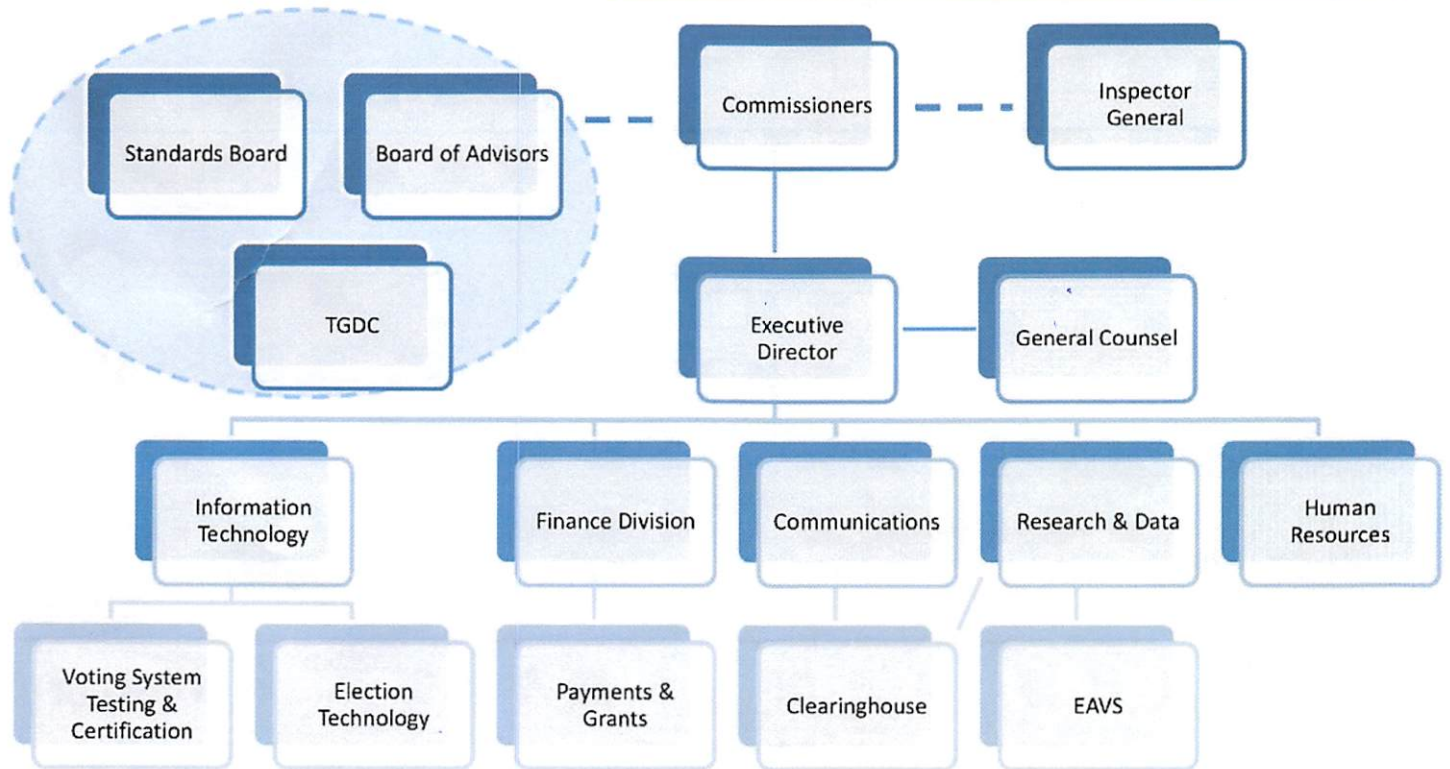
The Testing and Certification (T&C) Program:

- assists states with voluntary certification of voting systems,

- supports local elections officials in the areas of engineering change order updates, acceptance testing, and pre-election system verification for EAC-certified systems, issuance of Requests for Proposal, and information on how to maintain aging voting technology,
- promotes quality control in test laboratories and voting system manufacturing through the EAC Quality Monitoring Program, including periodic lab and manufacturing facility audits of EAC-registered entities,
- provides procedures to voting system manufacturers for the testing and certification of voting systems to specified Federal standards consistent with the requirements of HAVA Section 231(a)(1),
- upon invitation or with permission from election officials, the EAC conducts reviews of systems in use in the field, and along with its advisory boards, EAC and NIST work together to update and implement voluntary testing guidelines for voting systems.

# Agency Organizational Chart

## U.S. Election Assistance Commission



## I.B. PERFORMANCE GOALS, OBJECTIVES, AND RESULTS

The EAC first formalized its planning, reporting, and execution activities with its first five-year Strategic Plan 2009-2014. The plan was reviewed by the Office of Management and Budget, and presented to EAC's Board of Advisors and Standards Board for comment, as required by HAVA. EAC adopted the Plan in March 2009. In accordance with OMB A-11, the EAC adopted a new strategic plan in 2018. Following OMB-136, the performance goals and results are aligned with the Statement of Net Cost.

### How EAC Assesses Performance

The EAC program area's below describe in general terms the role that the program area plays in helping the Commission meet its congressional mandates as well as the results needed to accomplish its goals. The EAC's strategy for collectively driving its programs to achieve the mission of the agency is more extensively listed in the EAC's 2018-2022 Strategic Plan, which can be found on the EAC's website. Outcomes measure the effect program outputs have on their stakeholders. Outputs are quantifiable targets that directly measure the results of a program. A program may have multiple outputs, but each output is associated with one program. Performance measures are quantifiable and documentable representations of a capacity, process, or outcome that is relevant to the assessment of performance.

### Program Area: Communication and Clearinghouse

The Communication and Clearinghouse supports the mission of the agency by providing state and local election officials, voters, Congress, other federal agencies, and the public with reliable, accurate, and non-partisan information about the administration of Federal Elections. The Clearinghouse Program is primarily staffed by agency research and communications staff. This program primarily supports the the strategic goals listed below. The EAC lists two sets of strategic goals because the Commission passed a new strategic plan during FY18 in accordance with OMB A-11. A management discussion and analysis of the communication and clearinghouse program's work towards achieving the listed strategic goals follows the list.

### Previously Enacted Strategic Goals:

- **Communicate:** Communicate timely and accurate information on the effective administration of elections for Federal office and on the operations and services offered by EAC.
- **Study, Guide, and Assist:** Identify and develop information on areas on pressing concern regarding the administration of elections for Federal office, issue recommended improvements, guidance, translations, and best practices are required by HAVA, and carry our responsibilities under the National Voter Registration Act (NVRA).
- **Test and Certify:** Build public confidence in elections by testing and certifying voting systems to improve system security, operation, and accessibility.

**Current Strategic Plan (2018-2022) Goals:**

- **Build:** Proactively and responsively create products that help election officials improve the administration of elections and help voters more easily participate in elections
- **Distribute:** Help election officials improve the administration of American elections through the distribution of EAC assistance and products.

**Clearinghouse FY 2018 Accomplishments**

Through the EAC's Countdown18 Campaign, a year-long effort to help the nation's election officials prepare for the 2018 midterm election, the commission achieved its Learn and Communicate goal by proactively sharing resources and information to support election administrators around the country as they face a host of complex challenges. Please note that while this section largely addresses the distribution of materials and information, the commission's efforts to analyze data, develop original research, promote election security and accessibility, as well as the create other best practices resources are described in more detail under Goal 3.

**Communications Events and Outreach**

In FY 2018, the EAC populated its website with dynamic and engaging content, distributed 46 press releases, created 72 original blogs written by EAC authors and outside experts, produced 3 original videos, grew its social media community, and hosted 6 events. The following provides additional detail about some of these efforts.

***Media Coverage & Engagement***

The EAC's robust media engagement effort ensures that reporters have access to timely and accurate information about U.S. election administration. The commission's staff and leadership regularly engage in media interviews on and off the record, providing expertise on a broad range of topics. In addition, the communications team works to ensure that the EAC's original research is accessible to all audiences through the use of graphic design, creation of searchable datasets, factsheets, and other materials. These efforts have produced solid and sustained coverage growth in recent years. For example, in FY 2018 the EAC was mentioned in 13,399 print and broadcast news stories in the United States.

***Events***

The EAC hosted several meetings, forums and summits in FY 2018 that focused on elections and leveraging information to produce important content to assist election officials and voters. The *EAC Summit: The 2018 Federal Election* kicked off the calendar year and was attended by nearly 150 election officials, lawmakers, advocates and other election stakeholders from around the country. The meeting included panels and keynotes focused on election security, accessibility, efficiency and integrity. The summit provided a platform for election officials and stakeholders to engage experts to discuss priorities and solutions for the upcoming election year.

In April 2018, during the EAC's annual Standards Board and Board of Advisors meetings that are mandated by HAVA and include election officials and other election stakeholders from around the country, the commission hosted a public forum on election security. The forum came on the heels of Congress passing the Consolidated Appropriations Act of 2018, which established \$380 million in new HAVA funds for states to improve their election systems. During this discussion, state and local election officials detailed their election cybersecurity efforts and answered questions about how they might invest their portion of the new funds.

In July 2018, the EAC hosted and co-hosted the *Election Data and Language Access Summits*. Both summits brought at least more than 120 election stakeholders together for discussion and information sharing. The EAC and the Pennsylvania Department of State co-hosted the *Election Data Summit* that brought together some of the nation's most respected election data experts to examine ways election officials are using data to improve election processes and inform decision making. The panels focused on a distinct aspect of the election cycle and explored different sources for election data, including voter registration databases, electronic poll books, line management tools, voting equipment, and post-election audits.

Later that month, the EAC co-hosted *Language Access Summit* brought together election officials, government leaders voting rights groups and other experts to meet and share information about the best ways to serve voters. The Summit panelists included experts representing Asian American, Latino, American Indian, Alaskan Native, and additional language communities from across the country. Discussions focused on demographic changes, the Section 203 designation process, federal requirements under the Voting Rights Act, voluntary and proactive language assistance, as well as strategies for cost-effective services. The summit's aim was to share information, as well as generate new understanding and appreciation between various stakeholder communities.

The fiscal year concluded with final preparations for the commissions *EAC Election Readiness Summit* and *Election System Vendor Fair*, which took place on October 3, 2018. The goal of the event was to focus on security best practices, as well as investments in accessibility, post-election audits, and other vital election activities. Following these discussions, the EAC hosted an open house for election vendors who wish to display and demonstrate their equipment. Overall, the EAC has shown its' commitment to convening election officials and other stakeholders to address key election topics such as cyber security, efficiency and accessibility.

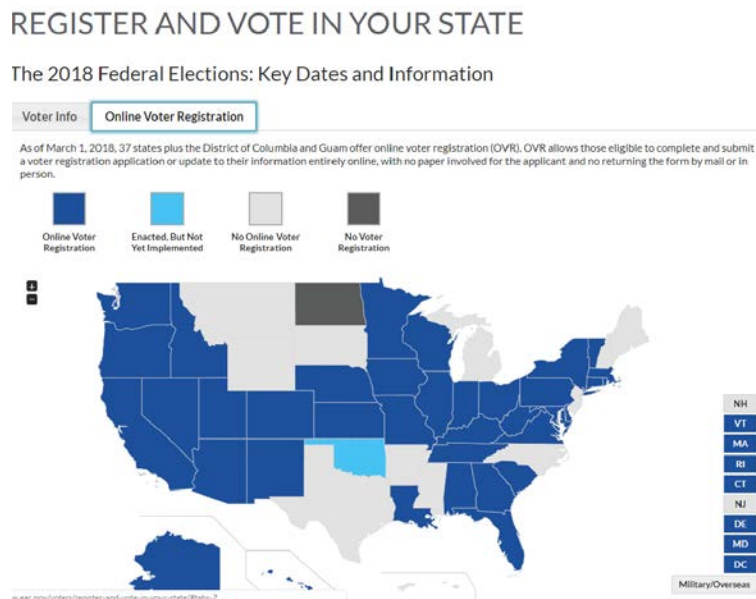
### ***Blogs***

The EAC's blog provides a platform to dig deeper into topics that interest election administrators and voters alike. In addition to blogs that highlight recent happenings and research from the EAC, the Commission has focused on publishing thematic blog series that give a unique perspective about elections. Using in-house writers and guest bloggers, often election officials or election experts, the EAC used FY 2018 to spotlight issues such as women in

elections, election accessibility, election security, and voter registration. The blogs are not only original content on the EAC’s website, improving its performance in search engines, but also serve as substance for social media engagement.

### **Website & Social Media**

In FY 2018, 947,268 unique visitors accessed the EAC’s dynamic website, a 53 percent increase over the 506,335 in unique visitors in FY 2017. Driving this uptick in online traffic was a series of new resources launched for voters and election officials alike. For example, the commission launched a revamped “Register and Vote in Your State” page that included an interactive map to assist voters searching for useful information on how to register and vote in their state. The EAC also provided an election calendar to help voters quickly access key election-related dates in their states, such as registration and absentee ballot request deadlines and primary election days.



The EAC’s total Facebook page “likes” have grown to 1,221 total page Likes at the end of FY 2018, an increase of 56.7 percent over last fiscal year. The Facebook page includes interactive content, original graphics, links to Election Day 2018 information, and video clips from EAC Commissioners. Additionally, engagement such as organic reach, reactions, comments and shares have increased 25.3 percent since FY 2017.

The EAC experienced growth in other social platforms, too. For example, EAC’S Twitter following was 6,050 at the end of FY 2018, up from 4,868 followers at the end of FY 2017. EAC had 1,173 tweets and 3,769 retweets in FY 2018. Overall, Twitter followers and engagement increased 100% since FY 2017. During FY 2018, EAC posted 45 new videos to its YouTube channel, bringing the commission’s video resource total to 137 videos that are



available 24/7 for the public. The videos range from educational “primers” on topics such as election security and the EAC’s Election Administration and Voting Survey to issue specific webisodes and event panels. The Commission also launched a new Instagram account, where it uses compelling photos to engage voters and share important election information.

### **Federal Advisory Committee Act (FACA) Activities**

The EAC managed the successful completion of the Congressionally-mandated Annual Comprehensive Review Report to Congress for Fiscal Year 2018. It also published Sunshine Act Notices in the *Federal Register* for the Federal Advisory Committee Meetings (the boards).

### **Freedom of Information Act (FOIA) Activity**

Clearinghouse staff completed 45 FOIA requests for during FY 2018. It also maintained its online FOIA reading room to ensure frequently requested documents and information is easily available to the public.

### **Program Area: Fund and Oversee**

The Fund and Oversee supports the mission of the agency by delivering and managing Federal funds that help election officials procure modern election systems. This program primarily supports the the strategic goals listed below. The EAC lists two sets of strategic goals because the Commission passed a new strategic plan during FY18 in accordance with OMB A-11. A management discussion and analysis of the fund and oversee program’s work towards achieving the listed strategic goals follows the list.

#### **Previously Enacted Strategic Plan Goals:**

- **Fund and Oversee:** Deliver and manage Federal funds effectively.

#### **Current Strategic Plan (2018-2022) Goals:**

- **Distribute:** Help election officials improve the administration of American elections through the distribution of EAC assistance and products.

The Payments and Grants Management division and the Office of the Inspector General (OIG) is responsible for delivering and managing Federal funds effectively.

### **Fund and Oversee FY 2018 Accomplishments**

#### ***Disbursement of \$380 Million in 2018 HAVA Election Security Funds***

In FY 2018, Congress signed the Consolidated Appropriations Act of 2018 into law. The Act included \$380 million in grants, made available to states to improve the administration of elections for Federal office, including to enhance technology and make certain election security

improvements. The 2018 HAVA Election Security Fund, authorized under Title 1 Section 101 of the Help America Vote Act (HAVA) of 2002, marked the first new appropriations of HAVA grants since FY 2010. The funding provides states with additional resources to secure and improve election systems. The EAC was charged to administer these funds to states.

The Payments and Grants Management Division sent all eligible states and territories grant award notification letters in early April less than a month after the Consolidated Appropriations Act of 2018 was signed into law. The letter allowed states to incur costs, with prior EAC approval, against the forthcoming grant awards, effective the date of the notification letter. Funds were then available for states to draw down and deposit in their state election accounts after they returned signed grant documents and the required certifications and assurances. As of September 30, 2018, all funds have been disbursed to the states. States must provide an annual standard Federal Financial Report and program narrative for each fiscal year and will be audited by the EAC'S Inspector General.

### ***HAVA Section 251 Requirements Payments***

The Payments and Grants Management Division did not disburse any Section 251 Requirements Payments. Requirements Payments are used to meet the requirements of Title III *Uniform and Nondiscriminatory Election Technology and Administration Requirements* of HAVA. Title III requirements include voting system standards, voting information requirements, provisional voting, statewide voter registration lists, and identification requirements for voters who register by mail. By law, Section 251 funds are calculated according to a formula based on the voting age population of each State according to the last census and the total voting age population of all States, the District of Columbia, American Samoa, Guam, Puerto Rico, and the Virgin Islands.

The division provided technical assistance to and monitored grant and payment recipients who are responsible for establishing and maintaining internal controls over the funds. During FY 2018, staff made pre-audit technical assistance visits to six states, and conducted remote technical assistance to twenty seven states. The internal controls are intended to provide reasonable assurance of compliance with Federal laws, regulations, the provisions of HAVA, and payments and grant agreements. Staff also provided indirect cost rate negotiations for four states, and resolves any issues identified in state OMB Circular A-133 single audit reports. The division reviewed 2018 Draft Audit Reports conducted by the EAC's Inspector General for six states, and provided support to states as needed throughout the audit process.

During FY 2018, staff reviewed 110 Federal Financial Reports (FFRs) and accompanying narrative reports submitted by the States for HAVA Sections 101 *Payments to States for activities to improve administration of elections*, and 251 *Requirements payments* funds. Information from the FFRs as of September 30, 2017 was used to compile the annual grant expenditure report during FY 2018. The report is available on [www.EAC.gov](http://www.EAC.gov).

## **Program Area : Research, Policy and Programs**

The Study, Guide and Assist program area supports the mission of the agency by providing useful resources that will assist state and local election officials administer elections and to help voters participate in the process. Among the products produced by this program is the EAC's Election Administration and Voting Survey (EAVS). This program primarily supports the the strategic goals listed below. The EAC lists two sets of strategic goals because the Commission passed a new strategic plan during FY18 in accordance with OMB A-11. A management discussion and analysis of the research and policy program's work towards achieving the listed strategic goals follows the list.

### **Previously Enacted Strategic Plan Goals:**

- **Communicate:** Communicate timely and accurate information on the effective administration of elections for Federal office and on the operations and services offered by EAC.
- **Study, Guide, and Assist:** Identify and develop information on areas on pressing concern regarding the administration of elections for Federal office, issue recommended improvements, guidance, translations, and best practices are required by HAVA, and carry our responsibilities under the National Voter Registration Act (NVRA).

### **Current Strategic Plan (2018-2022) Goals:**

- **Analyze:** Expand the nation's comprehensive understanding of American election administration.
- **Build:** Proactively and responsively create products that help election officials improve the administration of elections and help voters more easily participate in elections
- **Distribute:** Help election officials improve the administration of American elections through the distribution of EAC assistance and products. Research is responsible for gathering and creating election administration resources to assist election officials and voters.

## **Study, Guide and Assist FY 2018 Accomplishments**

### ***Securing Elections***

Cybersecurity of elections and of state and local election systems was the headline issue of FY17. In FY 2018, the EAC continued to best help the country prepare for, defend against, and investigate the potential effects of these attacks. The EAC distributed best practices for cybersecurity and managing voting machines, conducted Information Technology (IT) training for election officials and administrators, and worked with DHS and state and local election officials to understand how to best leverage the DHS designation of elections infrastructure as "critical infrastructure." Furthermore, the Consolidated Appropriations Act of 2018 was signed

into law and charged EAC with distributing \$380 million in funding to states to improve the administration of elections for federal office.

To help election officials tackle cybersecurity challenges in FY 2018, EAC distributed and posted online updated best practices, checklists, white papers, and educational security-related materials. For example, in FY 2018, EAC created the “Ten Things to Know about Managing Aging Voting Systems” and “Cyber Incident Response Best Practices” resources. It also created an original video and corresponding educational material to help voters understand the many steps election officials take to secure elections at all stages from voter registration to election night results. Additionally, EAC’s Testing and Certification conducted IT training for local and state election officials. The training has been delivered in nearly a dozen states.

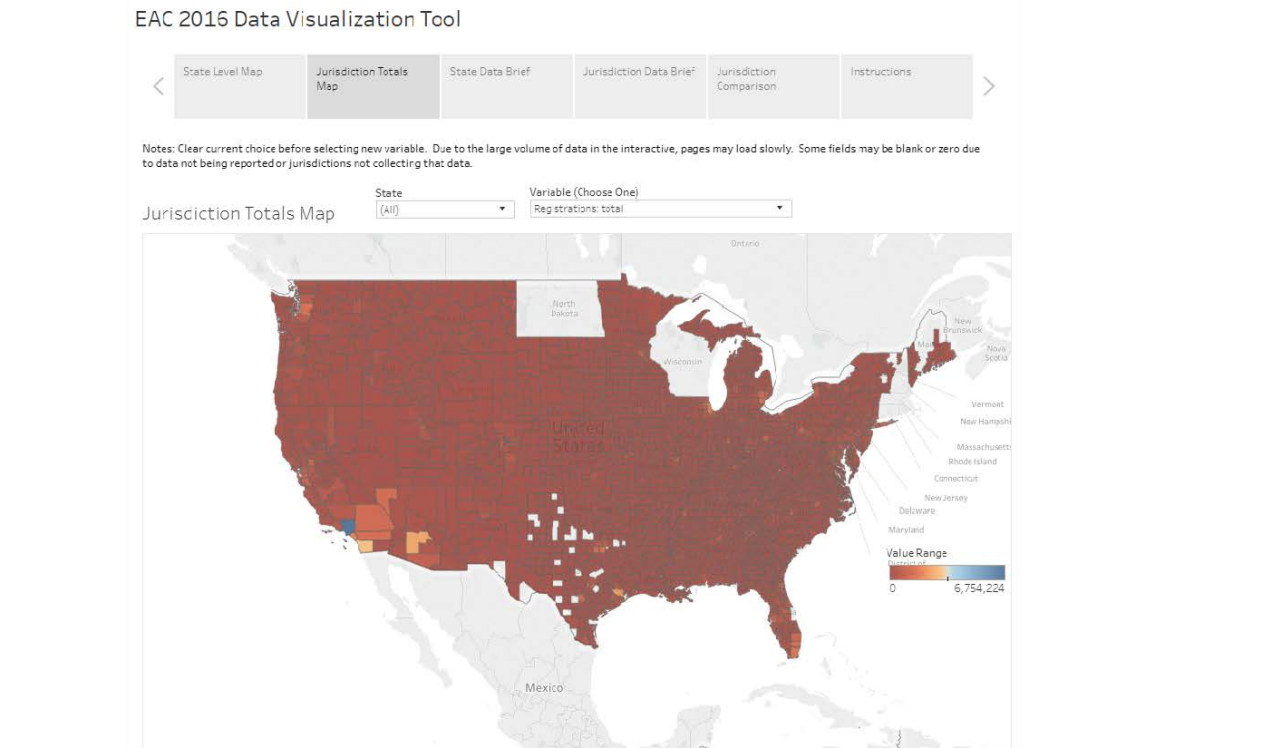
Following the U.S. Department of Homeland Security’s (DHS) designation of elections as part of the nation’s critical infrastructure, the EAC played an instrumental role in creating opportunities for state and local election officials to interact with DHS officials charged with leading the critical infrastructure effort. These conversations led to EAC helping to stand up and eventually co-chairing the Government Coordinating Council (GCC), which is the public sector counterpart of the private sector Sector Coordinating Council. The GCC inform how DHS works with state and local jurisdictions to implement its designation of election systems as part of the nation’s critical infrastructure and comes together around the creation of resources, information sharing structures, and opportunities for collaboration requested by states.

### ***Conducting Original Research***

The EAC administers the most comprehensive survey on data and practices concerning the administration of U.S. elections on a bi-annual basis, the Election Administration and Voting Survey (EAVS). The survey contains data from all fifty states, the District of Columbia, American Samoa, Guam, Puerto Rico, and the Virgin Islands, with more than one million data points. EAVS provides a data set as well as conclusions relating to the data that are used by other federal agencies, election officials, academics and other researchers to understand and improve the administration of U.S. elections. Additionally, through the successful administration of EAVS, EAC meets numerous legislative mandates, related to the Uniformed and Overseas Citizens Absentee Voting Act and the National Voter Registration Act, for the collection of information relating to the administration of U.S. elections.

EAVS is a high-quality, comprehensive survey that provides an in-depth understanding of how elections are being administered in the United States. EAC is continually building products on top of the data. Examples of these products include EAC’s EAVS Deep Dives. The Deep Dives are a series of white papers that EAC creates after examining EAVS data, examining it for trends and information, and presenting the findings. Each Deep Dive focuses on an individual trend in the data, and presents the information in a non-partisan, easy-to-understand format. In FY 2018, Research published four Deep Dives on [www.EAC.gov](http://www.EAC.gov) so that the agency’s stakeholders can easily access them. These briefs took an in-depth look at four categories of data collected through the 2016 EAVS and earlier iterations of the survey: 1) early, absentee, and mail voting;

2) poll workers and polling places; 3) election technology; and 4) provisional ballots. The election data issue briefs provided analysis that helps demonstrate the changing landscape of U.S. elections, including the steady expansion of alternatives to traditional in-person Election-Day voting, the rapid increase of the use of online voter registration, and the rise in electronic poll book usage, among other important findings. Additionally, the EAC launched its first ever online interactive tool using EAVS 2016 data, which greatly enhances the accessibility of EAVS data to election officials, policymakers, researchers, and the broader public.



In FY 2018, the agency awarded a four-year agreement to Fors Marsh Group to serve as its implementing partner for the surveys in 2018 and 2020. The EAC distributed the 2018 EAVS and Policy Survey to the states, developed a plan to provide targeted technical assistance to survey respondents, began collecting responses to the 2018 Policy Survey, and started development of a pilot program to conduct the EAVS in an online format. These and other activities planned for FY 2019 are expected to ease the burden on survey respondents, improve data quality and completeness, and make EAVS data more accessible to end users. The 2018 EAVS and Policy Survey will provide Congress, the election administration community, and the broader public with a comprehensive look at how the 2018 elections were administered in all U.S. states and territories.

### ***Ensuring Access to the Polls***

Millions of Americans with disabilities and voters with Limited English Proficiency go to the polls every election. Federal law requires that election officials ensure these voters can access the polls and vote privately and independently. To help election officials carry out this mandate, EAC focuses clearinghouse resources on helping election administrators identify accessibility-related trends, resources, and innovative approaches to serving all voters.

In addition to producing original online content and distributing the highly popular EAC voting rights cards - in large print, pocket size, and braille - to voters with disabilities, the EAC's Commissioners spent a time in FY 2018 engaging Americans with disabilities to find ways the EAC and election officials across the nation can improve the voting experience for voters with disabilities. For example, in June, the Commissioners chaired an open plenary session at the Nation Disability Rights Network's national conference in Baltimore. The session included an interactive conversation with voters, who detailed their experiences at the poll and provided feedback about what improvements could be made. Earlier in the year, they conducted a similar conversation in during the Association of Programs for Rural and independent Living's (APRIL) annual conference in Spokane, Washington.

As mentioned above, in FY 2018, the EAC also took steps to address language accessibility for American voters. The EAC held its third Language Access for Voters Summit in July. The full-day conference included experts on language access, election administration, federal requirements, community relationships, and voter needs presented their research and experiences in panels, talks, and workshops. Election officials, advocates, and voters were given the opportunity to interact with, educate, and learn from experts and the officials who impact voters with limited English proficiency's voting experience every election cycle. In addition, the commission took steps to translate more of its materials into Spanish and other languages.

### ***Highlighting Election Administration Best Practices***

In an effort to collect and distribute information about and very best practices in election administration across the nation, the EAC again presented its best practice awards known as the "Clearies." These awards highlight leaders in the field of election administration so that others may learn from them and their success. In FY 2018, the EAC awarded nine counties in three Clearies categories: election innovations, voting accessibility and recruiting, training, and retaining election workers. After the success of the first Clearies, in the latter half of FY 2018, EAC collected information and submissions for the second year from election officials around the country and will award the winners in FY 2019.

### ***Serving Voters***

In FY 2018, the EAC processed seven state-requested updates to the NVRA instructions and accompanying Spanish and Asian language translations. EAC understands that it must not only help election officials improve the administration of their elections, but EAC must also directly

help voters. Voter resources is one of the most frequently visited portions of the agency's website. Voters can find a Voter's Guide to Federal Elections, resources for overseas and military voters, information on registering to vote – including the National Mail Voter Registration Form, information about becoming a poll worker, general educational information, and Election Day contact information.

## **Program Area: Testing and Certification**

The Test and Certify program area supports the mission of the agency by crafting a national standard for testing and certifying vendor-created voting systems and administering a testing program in which voting systems that meet the standard are certified as such. Election officials use this certification to help guide voting system procurement and use decisions. This program primarily supports the the strategic goals listed below. The EAC lists two sets of strategic goals because the Commission passed a new strategic plan during FY18 in accordance with OMB A-11. A management discussion and analysis of the testing and certification program's work towards achieving the listed strategic goals follows the list.

### **Previously Enacted Strategic Plan Goals:**

- **Test and Certify:** Build public confidence in elections by testing and certifying voting systems to improve system security, operation, and accessibility.

### **Current Strategic Plan (2018-2022) Goals:**

- **Build:** Proactively and responsively create products that help election officials improve the administration of elections and help voters more easily participate in elections
- **Distribute:** Help election officials improve the administration of American elections through the distribution of EAC assistance and products.

### **Test & Certify FY 2018 Accomplishments**

EAC administers and manages the only national standard-setting program for building, testing, and certifying voting machines. States' use of this program and its standard is voluntary. More than 40 states use the program in some way. The program operates by creating the VVSG, certifying test laboratories to test to these guidelines, and administering test campaigns – where vender-built voting machines are submitted to the test laboratories for testing voting systems against the guidelines. If a voting system meets all of the requirements established in the guidelines, then EAC certifies the machines as meeting said guidelines. Election officials use this information to help them know that they are procuring high-quality, reliable, voting machines. Certain states only allow their officials to procure and use voting machines that have been certified to the VVSG. Other states use the standard by itself, and still others use the testing program's labs to help with their own certifications.

In order to ensure that EAC is setting a standard of modern quality that helps ensure voting machines are secure, accessible, up-to-date and functional, EAC's Testing and Certification

Division works to update the standard and its underlying components. In FY 2018, EAC made significant progress in the continued crafting and presentation of the newest set of standards, VVSG 2.0. This certification standard includes modern security, accessibility, and functionality standards. Technology, its uses, and the threats against it, is changing, and EAC is working to help ensure voting machines are ready for current challenges.

The first FACA to examine VVSG 2.0 approved it in September 2018 by the Technical Guidelines Development Committee (TGCD). In FY 2018, VVSG 2.0 received final approval from the remainder two FACA boards, Standards Board and Board of Advisors. Information about the testing program and the standard are available on [www.EAC.gov](http://www.EAC.gov).

In addition to getting VVSG 2.0 finalized and approved, EAC's Testing and Certification Division tested and certified eleven voting systems and conducted one voting system test laboratory re-accreditation audit. To continue EAC cybersecurity efforts, the division provided Election Technology and Security Training to over 400 state and local election officials in ten states across the country. Election officials are managers of complex IT systems, and EAC uses its unique ability to collect information and practices from around the country to help election officials be effective IT managers.

The training prepares election officials to have a better understanding of how to best manage and secure their IT systems in their states, specifically the upcoming 2018 Midterm elections. Furthermore, Risk Limiting audit (RLA) training was provided to election officials to assist with verifying that the voting equipment used to count ballots during an election properly counts a sample of voted ballots after an election. This training is important because an RLA could eventually lead to a full manual recount if there is not enough evidence to prove that the reported outcome is correct.

These on-going, regular efforts to assist election officials are critical to successful operation of the program. Thousands of election jurisdictions around the country are continually researching and procuring voting equipment, and EAC's Testing and Certification Division helps them navigate this process with confidence.

## **Additional Information Regarding Agency Management and Operations**

EAC leadership regularly works to further the mission of the agency by providing EAC staff the necessary resources to improve performance and strengthen internal controls that will maximize the operation of the agency. This program primarily supports the the strategic goals listed below. The EAC lists two sets of strategic goals because the Commission passed a new strategic plan during FY18 in accordance with OMB A-11. A management discussion and analysis of the management and operation goals towards achieving the listed strategic goals follows the list.

### **Previously Enacted Strategic Plan Goals:**

- **Manage:** Achieve organizational and management excellence.



**Current Strategic Plan (2018-2022) Goals:**

- **Operate:** Ensure continued effective operation of the EAC in order to achieve its goals while acting as good stewards of public funds.

**FY 2018 Management and Operations Accomplishments**

During FY 2018, EAC held a Standards Boards and Board of Advisors meeting in April pursuant to the Help America Vote Act. The Advisory Boards reviewed the next generation of VVSG, discussed the intent and application process for newly appropriated HAVA funding, examined election security efforts and tackled other timely election-related issues, such as disaster recovery contingency planning.

Pursuant to initiatives for government reform, EAC is actively working with the Office of Management and Budget and looking at our funding mechanism with NIST. In addition, the Office of Personnel Management (OPM) completed an assessment of our structure and positions that will contribute to the creation of the Human Resources Plan, address EAC's planning and strategy processes, and evaluate internal policies and procedures.

Efforts of the agency resulted in achievement of the measure to obtain an unmodified audit opinion on agency financial statements in FY 2018. On the metric regarding meeting annual performance measures, management works to foster a culture of accountability among staff and continuous improvement of internal controls. Agency directors responsible for implementation of EAC's goals report on their division metrics throughout the year: 1) the Agency Financial Report each November, 2) the Congressional Budget Justification, usually in February each year, and 3) actual planned metrics in the OMB Budget Justification in September.

EAC continues to focus on establishing sound systems and policies and procedures, working with managers on the relationship between budget and performance, maximizing efficient use of staff and financial resources, and training EAC's staff on financial management processes and their specific, individual responsibilities. Budget holders complete assessable unit risk and fraud assessment questionnaires and individual letters of assurance to assess risk to accomplish of goals, and provide a review of the effectiveness of internal controls in their areas of responsibility for the fiscal year. The risk and fraud assessments and letters of assurance are reviewed by the Executive Director and the CFO, and rolled into the agency's Annual Statement of Assurance that is presented in this report.

In FY 2018, the EAC continued to provide financial management tools and support to staff. Agency staff is able to utilize five automated systems (procurement, travel, purchase card, invoice, and time and attendance) via interagency agreements with the General Services Administration and the U.S. Department of Treasury Bureau of the Fiscal Service. EAC staff Contracting Officer's Representatives (CORs) were provided annual training and have access to free online COR and invoice approval training via the procurement service provider agency.

**FY 2018 Performance Summary**

The following table presents key EAC FY2018 program performance results data.

	<b>Performance Indicator</b>	<b>Type of Indicator</b>	<b>Actual</b>
<b>Program Area: Communications and Clearinghouse</b>			
	Regularly issue information on EAC activities	Output	Generated 45 press releases, 72 blog posts, and 1,173 tweets. 3,769 retweets. Increased Twitter followers and Twitter engagements by 100% since last year. The EAC website received 947,268 page views.
	Produce the annual report of EAC activities to Congress by January 31 of each year for the preceding year ending September 30, and other original documents	Output	Disseminated report on 1/31/18
<b>Program Area: Fund and Oversee</b>			
	Consolidated Appropriations Act of 2018	Output	Assisted states to collect the \$380 million appropriated in Election Security grants to improve the administration of federal elections.
	Review financial and performance reports from grantees and notify recipients of reporting anomalies or failures to file within 30 days	Output	100%
<b>Program Area: Research, Policy and Programs</b>			
	Effectively and efficiently distribute federal resources to EAC stakeholders.	Output	Completed 4 Deep Dives, Updated 7 state-requests to the NVRA form, Created 1 online tool for election research and data, 3 Statutory Research Initiatives.
	Serve as an expert on the administration of American elections.	Output	Hosted three summits and one forum. Organized 4 events on election administration issues convening election officials and stakeholders (one each for data and language, and two for accessibility). Presented at 4 external events on EAC programs and activities (NASSED, FSASE, and Texas Election Law Summit; Auburn election data summit).
<b>Program Area: Test and Certify</b>			
	Test and certify voting systems	Output	Certified 11 voting systems; 4 applications under testing;
	Produce voting system guidance for use in the field	Output	VVSG 2.0 approved by all three Advisory Boards (TGDC, Standards Board and Board of Advisors.

## Portfolio Analysis

Since 2004, EAC has received funds in three appropriations: Salaries and Expenses, Election Reform Programs, and for FY 2008 only, Election Data Collection Grants. In FY 2018, EAC received funds in the Salaries and Expenses appropriation of \$10.1 million. The appropriation was used for a \$1.5 million transfer to NIST, payroll, travel, rent, telecommunications, printing, contracts, supplies, subscriptions, equipment and software. Congress also appropriated \$380 million in grants in FY 2018.

## **I.C. FINANCIAL RESULTS**

The following analysis is intended to provide information on EAC's financial results, position, and condition as portrayed in the financial statements and the notes to the statements presented in Sections II.D and II.E of this report. Changes in assets, liabilities, costs, revenues, obligations, and outlays are explained; comparisons are made between amounts in FY 2018 to FY 2017; and the relevance of balances and amounts in the financial statements and notes are discussed. The changes provide context as to how the year's activities impacted the agency's financial position.

### **Budgetary Resources**

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

FY 2018, the available budgetary resources were \$396.5 million, up from \$17.3 million in FY 2017. In FY 2018, as mentioned previously, EAC's appropriations totaled \$10.1 million for Salaries and Expenses, including a \$1.5 million non-expenditure transfer to NIST.

Obligations Incurred increased from \$8.5 million in FY 2017 to \$388.3 million in FY 2018. The increase decrease was due primarily to the security grants. The Unobligated Balance – Apportioned increased from \$1.0 million in FY 2017 to \$1.8 million in FY 2018.

### **Financial Position**

#### *Assets*

EAC had \$12.8 million in total assets (Fund Balance with Treasury; Accounts Receivable; Property, Equipment, and Software; and Other Assets) as of September 30, 2018, compared to \$14 million in FY 2017. The decrease is largely the result of security grants.

### *Liabilities*

EAC had total liabilities (Accounts Payable, accrued salaries and benefits, and unfunded leave) of \$852,304 as of September 30, 2017. Liabilities decreased to \$678,350 as of September 30, 2018.

### *Net Position*

Net position (Unexpended Appropriations and Cumulative Results of Operations) decreased from \$13.1 million in FY 2017, to \$12.2 million in FY 2018. Unexpended Appropriations increased primarily due to appropriations of the security grants.

### **Results of Operations**

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

The Total Net Cost of Operations (expenses in the Salaries and Expenses, and Election Reform Programs appropriations) for the EAC was \$9.7 million for Fiscal Year 2017, increasing to \$388.6 million in FY 2018 due to appropriation of the security grants.

### **Limitations of the Financial Statements**

The principal financial statements have been prepared to report the financial position and results of operations of the entity, pursuant to the requirements of 31 U.S. Code 3515(b). The statements have been prepared from the books and records of EAC in accordance with Generally Accepted Accounting Principles (GAAP) for Federal entities and the formats prescribed by the Office of Management and Budget. The statements are in addition to the financial reports that are used to monitor and control budgetary resources during execution of the budget, which are prepared from the same books and records.

The statements should be read with the understanding that they are for a component of the U.S. Government, a sovereign entity.

## **I.D. ANALYSIS OF CONTROLS, MANAGEMENT SYSTEMS, AND LEGAL COMPLIANCE**

### **Internal Control Environment**

EAC is subject to numerous legislative and regulatory requirements that promote and support effective internal controls. EAC believes that maintaining integrity and accountability in its programs and operations is critical for good government, demonstrates responsible stewardship over assets and resources, helps ensure high-quality and responsible leadership, allows for effective delivery of services to customers, and maximizes desired program outcomes.

EAC has developed and implemented management, administrative and financial system controls with the aim of ensuring that: 1) programs and operations achieve intended results efficiently and effectively, 2) resources are used in accordance with the mission of the agency, 3) programs and resources are protected from waste, fraud and abuse, 4) program and operational activities are in compliance with laws and regulations, and 5) reliable, complete and timely data are maintained and used for decision-making.

The agency can provide unqualified assurance that internal control over financial reporting is effective, ensuring that transactions are executed in accordance with budgetary and financial laws and other requirements, consistent with the purposes authorized, and recorded in accordance with Federal accounting standards. EAC ensures that assets are properly acquired and used, and safeguarded to deter theft, accidental loss or unauthorized disposition, and fraud.

Laws that help the EAC improve the management of its financial operations and programs are as follows:

### **Federal Manager's Financial Integrity Act**

The Federal Manager's Financial Integrity Act (FMFIA) of 1982 requires Executive Branch agencies to establish, maintain, and assess internal controls to ensure that agency program and financial operations are performed effectively and efficiently. To help ensure that controls have been identified and implemented, the heads of agencies must annually evaluate and report on the effectiveness of internal controls (FMFIA Section 2) and financial management systems (FMFIA Section 4) that protect the integrity of Federal programs.

### **Entity-Wide Security Program**

EAC's Information Technology (IT) staff explores innovations to update and improve network services for security, availability, efficiency, and productivity. For example, EAC is working with

the General Services Administration (GSA) to leverage GSA's private cloud computing strategy to host the EAC continuity of operations plan (COOP) site.

Currently, EAC operates its own infrastructure, using GSA's network backbone for security purposes. The EAC IT staff of two maintains personal computers, smart phones, and servers; provides software requested by EAC staff, remote access services, Voice Over Internet Protocol and Interactive Voice Response telecommunications tools; and performs vulnerability scans (in addition to GSA's backbone infrastructure scans). IT staff remediates and updates security patches so that staff is equipped to perform work both on- and off-site in a secure environment.

GSA manages a firewall, external intrusion detection, T1 lines, and routers and switches for Federal Information Security Management Act (FISMA) compliance on EAC's behalf. EAC's cybersecurity management needs are covered by GSA through an annual Memorandum of Understanding for IT services and equipment at \$31,000 for FY 2018. The agreement funds the tools that enable GSA to continuously monitor EAC's IT systems security as described in OMB M-10-15, *FY 2010 Reporting Instructions for the FISMA and Agency Privacy Management*, dated April 21, 2010.

#### **Federal Information Security Management Act**

EAC was overall in compliance with the Federal Information Security Management Act at the end of FY 2018. The audit will be available on EAC's website.

#### **Audit Follow-Up**

EAC's Office of the Inspector General (OIG) conducts audits and reviews of the agency's operations. The Office of the Chief Financial Officer (OCFO) works closely with EAC management and the OIG to complete actions necessary to respond to audit findings. EAC's Inspector General's statement of major management and performance challenges are documented in Section III.A. of this report. EAC also considers and responds to recommendations from audits and reviews conducted by the Government Accountability Office.

#### **Federal Financial Management Improvement Act**

Per OMB Bulletin No. 14-02, "Audit Requirements for Federal Financial Statements," EAC as an Accountability of Tax Dollars Act of 2002-covered agency, is not subject to the requirements of the Federal Financial Management Improvement Act.

**Accountability of Tax Dollars Act of 2002**

The Fiscal Year 2018 financial statement audit report identified no material weaknesses in internal control over financial reporting.

**Inspector General Act Amendments of 1988**

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

**Grants Oversight and New Efficiency (GONE) Act**

The table below shows the total number of Federal grant and cooperative agreement awards and balances for which closeout has not yet occurred but for which the period of performance has elapsed by more than two years.

Category	2-3 Years	>3-5 Years	>5 Years
Number of Grants/Cooperative Agreements with Zero Dollar Balances	5	8	13
Number of Grants/Cooperative Agreements with Undisbursed Balances	0	0	0
Total Amount of Undisbursed Balances			

All open grants with zero balances that have been designed as closed by the grantees (Final FFR has been submitted) will be closed by the EAC by April 30, 2019.

**Fraud Reduction Report**

Pursuant to the Fraud Reduction and Data Analytics Act of 2015 (Public Law 114-186, 32 U.S. Code 3321 note), EAC is reporting on its fraud reduction efforts since the final quarter of FY 2018 in three key areas:

- I. Implementation of financial and administrative controls*

Financial and administrative controls are described in EAC's Annual Accounting Handbook, Annual Financial Statement Preparation Guide, Procurement Handbook, Budget Policy, Administrative Control of Funds Policy, Internal Control Procedures, Grants Handbook, and Travel Handbook. Standard Forms 49 Requisitions are used for credit card approvals. The forms are used to reconcile monthly purchase card statements in the Citi system, entered by cardholders and reviewed and approved by the CFO as cardholder agency point of contact.

Financial and administrative controls are further described in annual cycle memoranda prepared as part of the annual financial statement audit, which lasts from April through mid-November. The memos are in the areas of: Fund Balance with Treasury, Accounts Receivable, Accounts Payable, Payroll, Budget, Cash Receipts and Disbursements, and Undelivered Orders.

*II. The fraud risk principle in the Standards for Internal Control in the Government (the GAO Green Book)*

Principle 8 of the Green Book requires agency management, "to consider the potential for fraud when identifying, analyzing, and responding to risks." The Green Book defines fraud as "obtaining something of value through willful misrepresentation." Historically, EAC has not experienced willful fraud. Management views the risk of fraud as minimal given the agency's size, budget, existence of shared service providers, and a culture of zero tolerance for fraud. Further, management signed a document stating that they are not aware of instances of fraud in FY 2018.

*Annually, EAC completes the independent financial statement auditor's comprehensive Fraud, Waste and Abuse questionnaire. The nineteen point questionnaire is completed and signed each year by the agency's Chair, Executive Director, General Counsel and CFO. Assertions are made that managers are not aware of allegations of fraud or suspected fraud, and that they understand risks specific to EAC.*

The Green Book identifies three types of fraud:

1. Fraudulent financial reporting (intentional misstatements or omissions or disclosures)
2. Misappropriation of assets (theft, embezzlement, fraudulent payments)
3. Corruption (bribery and other illegal acts)

Another fraud risk is misconduct (e.g., waste or abuse of government resources).

EAC, has built-in segregation of duties with a contractual financial, travel and procurement services provider at another federal agency via interagency agreement, a second federal agency provider for payroll and human resources services, a third interagency for a large contract, and a full-time Inspector General. Most financial transactions involve three individuals.

EAC is assessed to have a low risk of fraud in these areas:



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- Fraudulent financial reporting risk: financial reporting is provided by one of the four OMB-authorized financial service providers. All financial reporting, including financial statements and necessary journal entries, is reviewed and approved by the EAC CFO prior to publication. Further, EAC has undergone a financial statement audit by an independent financial auditor each year since Fiscal Year 2008. The auditors' working papers are reviewed by the agency's Inspector General.
- Misappropriation of assets: assets are recorded in the general ledger, inventoried and tagged by two offices within EAC, and schedules of depreciation of the assets are maintained by the financial services provider. EAC's building and its assets are secured by the Federal Protective Service via interagency agreement. Property removed from the building requires presentation of a signed property pass to a guard.
- Bribery: contracting officers are located at other agencies, EAC staff serves as vendor contract proposal evaluation panel reviewers, funds for procurements are certified by the CFO, and staff is made aware in mandatory training and at all staff meetings that taking gifts valued over \$20 is prohibited.
- Illegal acts: staff is encouraged to report perceived illegal acts to the General Counsel as Ethics Officer, supervisors, and the Inspector General. EAC's Human Resource Handbook provides thorough descriptions of standards of conduct, fitness for duties based on character and conduct, disciplinary and adverse actions for misconduct, and ethics.
- Waste of government resources and abuse of authority or position: the IG maintains a fraud, waste, abuse hotline. Staff and the public can call the hotline anonymously to report perceived cases of fraud, waste, or abuse. Further, staff is provided with Whistleblower training, so they know how to protect themselves from repercussions related to reporting wrongdoing. Other EAC mandatory training includes Privacy Act and IT security training. Standards of conduct are laid out in EAC's Office of Human Resources Handbook, available on the agency's shared drive, and reviewed at New Employee Orientation. The manual specifies that the agency's General Counsel serves as the Designated Agency Ethics Officer, who should be consulted on specific issues of concern.

Fraud risk factors in the Green Book are incentive/pressure, opportunity (e.g., absence of or ineffective controls, override of controls), and attitude/rationalization. The risk factors are used by management to identify fraud risks. As mentioned above, EAC relies on Inspector General and internal auditors and other internal and external individuals to provide information about suspected fraud or allegations of fraud.

The risk of opportunity is greatly reduced with financial staff at EAC separate from the accounting and procurement service provider. Independent auditors recommendations are taken seriously and implemented timely, at times in conjunction with the service providers' controls. EAC does not have identified material weaknesses in internal controls over operations in FY 2018. Any management override of controls would necessarily involve staff at two federal agencies since EAC does not have "write" access to the core financial system.

Management communicates the consequences of committing fraud in mandatory Ethics, Prohibited Practices and Whistleblower Protection, Information Technology Security, Privacy Act, and Privacy Rules of Behavior training.

*III. OMB Circular A-123 with respect to leading practices for managing fraud risk*

EAC management and its independent financial statement and Federal Information Security Management Act (FISMA) auditors are responsible for disclosing detected risks. This and other information helps management identify and assess risks. Assessment of fraud risk is crucial so that it can be mitigated or prevented and does not adversely impact agency mission and operations objectives by affecting its ability to effectively and efficiently use its resources.

EAC is required to report on progress in identifying risks and vulnerabilities to fraud, including the areas of: payroll, beneficiary payments (such as life insurance), grants, large contracts, information technology and security, asset safeguards, purchase cards, and travel cards. EAC has assessed its vulnerabilities to fraud in these areas as low, taking into account use of another federal agency for payroll, IT and human resources services, and a second federal agency for accounting services, disbursement of grant funds, and purchase and travel card programs. Via interagency agreement, two agencies award EAC's large contracts. As mentioned elsewhere in this report, assets are protected by Federal Protective Service guards assigned to the building, and by a key card system protecting EAC's suite within the building.

Due to its size and relationship with federal service providers, where the majority of financial transactions involve separation of duties and involvement by at least three staff, the risks within the agency are assessed to be low. Grant risks are remediated by Inspector General audits and agency assistance to grantees on technical assistance and audit resolution. EAC controls include controls related to its use of service organizations. Separation of duties between federal entities is laid out in the roles and responsibilities sections of their interagency agreements.

EAC utilizes automated time and attendance, procurement, contract payments, and travel and purchase card systems housed at other agencies. EAC has agency points of contact for purchase and travel cards, as does the financial service provider. EAC's CFO reviews all travel receipts for reimbursement before approving travel vouchers, generally entered into the travel system by EAC travel arrangers. Travel service provider accountants reconcile EAC's Central Billing Account each month. Agency-specified types of vendors allowed for use are established under the procurement card program via the use of Master Contract Codes. All other vendors will result in a card decline until the type of procurement is reviewed and access is given temporarily for the purchase.

Grantees, as well as vendors, are required to be registered in the federal System for Award Management (SAM). Grantee requests for payment are reviewed by several staff at EAC, recorded on route slips prior to sending the requests to the service provider's Accounts Payable office. Further, grantee Federal Financial Reports are reviewed and analyzed each year. The process includes confirmation of period of performance of the award, report type (annual or final), Dun & Bradstreet Number and Employer Identification Number. Total award, Required Match, and Program Incomes are reviewed for accuracy. The reports are reconciled against

prior year submission to analyze spending rates over time. Questions and errors are relayed back to the grantee timely. EAC creates reports tracking key metrics related to expenditure of federal funds and State match. Grant expenditure reports are provided to Congress and posted on eac.gov.

Requests for payments to vendors are reviewed by trained and certified Contracting Officer's Representatives. Payments are made by service provider staff for interagency agreements, and in the Internet Payment Platform for the two federal agencies that award contracts on EAC's behalf for commercial vendors by EAC CORs. If a vendor claims nonpayment of bills, Treasury reports are requested to provide banking information confirming payment with banking information. It should be noted that grantees and vendors contact the agency if a payment is not received timely, which could be an indicator of fraud, so misdirection of funds is considered low risk. Financial system controls prevent vendor overpayment.

Further, CORs and the EAC CFO provide quarterly accruals and deobligations to the financial service provider on all open obligations. The CFO is required to certify that the open obligations are valid. The certification is reviewed by the financial statement auditors each year.

Each year, EAC performs an Improper Payments Elimination and Recovery Improvement Act review for the financial statement audit. Due to the budget of the agency, EAC reports that the IPERIA is not applicable in the annual Agency Financial Report.

### ***Strategies, Procedures and Other Steps***

EAC is required to report progress to curb fraud by establishing strategies, procedures, and other steps. Steps include agency requirement for ethics training for all staff, which includes how to avoid a conflict of interest. Several staff members complete confidential and public Financial Disclosure reports annually. The reports are reviewed by the Ethics Officer for conflicts of interest. Further, Contracting Officer's Representatives (about one-third of all full-time staff) are required to take Ethics in Contracting training, which further reinforces the need to avoid conflicts of interest in procurements. Contracting Officer's Representative can also take a free online course entitled Procurement Fraud Indicators.

Cards and system access are cancelled for exiting employees. The financial service provider asks for annual certification from the CFO on all systems access by EAC staff. The process includes review of roles and transaction amount limits for authorized staff.

EAC has started an A-123 revised review of information technology by an independent party. Plans are that the review structure established to review IT for risk including fraud risk will be used in future for other functions of the agency. If risks are identified, EAC would proceed with actions such as reallocation of roles to enhance segregation of duties.

EAC undergoes annual financial statement and Federal Information Security Management Act audits. EAC reviews grant audit findings and works with grantees pre- and post-audit. EAC

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reviews financial transactions for error and potential fraud, and the financial service provider has staff accountants with CPAs who review financial transactions. Generally, the requestor of a transaction, his or her supervisor, and the EAC funds certifier sign off on transactions. The service providers obligate procurement funds. EAC analyzes its shared service provider's regular audits throughout the year including purchase card payment timeliness, completeness of card logs, and accuracy of payments; Internet Payment Platform invoice post-payment audits of timeliness and accuracy, prompt pay reports; accounts payable delinquencies; and travel audits of compliance with the Federal Travel Regulation, attachment of required receipts to vouchers, and accuracy and timeliness of payment amounts.

**Annual Assurance Statement on Internal Control**

November 15, 2018

The management of the Election Assistance Commission (EAC) is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the Federal Managers' Financial Integrity Act (FMFIA) and Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*. Internal control is an integral component of EAC's management, providing reasonable assurance that the following objectives are being achieved: effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations.

EAC's assessment of internal controls for ensuring the effectiveness and efficiency of operations focused on assessing controls for ensuring the reliability of information associated with the performance measures presented in its strategic plan, and on self-assessments. With respect to assessing internal control designed to ensure the reliability of financial reporting, EAC relied upon the evaluation of internal controls over financial reporting conducted by its independent auditors, on reports issued by the Inspector General, and on agency risk assessments and letters of assurance over the program offices, financial management functions (accounting, budget, payments and grants, and procurement), and administrative offices. Regarding internal controls to ensure compliance with laws and regulations, EAC relied upon the evaluation conducted by its independent auditors and the Inspector General.

In FY 2018, the auditors found no material weaknesses or significant deficiencies in internal controls over financial management reporting. Further, the auditors found no instances of noncompliance with laws and regulations.

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



Thomas Hicks  
Chairman

**Section II**  
**Financial Section**



U.S. ELECTION ASSISTANCE COMMISSION  
1335 EAST-WEST HIGHWAY, SUITE 4300  
SILVER SPRING, MD 20910

OFFICE OF THE INSPECTOR GENERAL

November 14, 2018

Thomas Hicks, Chairman  
U.S. Election Assistance Commission  
1335 East-West Highway, Suite 4300  
Silver Spring, MD 20910

Re: Audit of the U.S. Election Assistance Commission's Financial Statements for Fiscal Year 2018  
(Assignment No. I-PA-EAC-01-18)

### 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 19-01, *Audit Requirements for Federal Financial Statements*; and the *Financial Audit Manual* issued jointly by the Council of the Inspectors General on Integrity and Efficiency (CIGIE) 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, 2018 and 2017, 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. Within the limitations on the scope of their testing of controls and compliance as described in the report, Brown & Company also reported no material weaknesses in control and no instances of noncompliance with laws, regulations, or significant provisions of contracts or grant agreements.

## 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. Our review of the contractor's performance was not an audit of the financial statements, internal controls, or compliance, and was not sufficient to conclude on any of those subjects of the audit. Consequently, the OIG does not express any opinion on EAC's financial statements or conclusions on the effectiveness of internal control or compliance with laws, regulations, or provisions of contracts or grant agreements.

## 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 limited and copies are available for public inspection on the EAC OIG website (<https://www.eac.gov/inspector-general/>) and on CIGIE's oversight web page (<https://www.oversight.gov/>).

The OIG appreciates the courtesies and cooperation EAC extended to Brown & Company and the OIG during the audit. If you, or your staff, has any questions, please contact me at (301) 734-3104.

X 

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Patricia L. Layfield, CPA, CIA, CISA  
Inspector General  
Signed by: PATRICIA LAYFIELD

Attachment





**ELECTION ASSISTANCE COMMISSION  
INDEPENDENT AUDITOR’S REPORT  
AND  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018 AND 2017**

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## INDEPENDENT AUDITOR'S REPORT

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

In our audits of the fiscal years 2018 and 2017 financial statements of the U.S. Election Assistance Commission (EAC), we found

- EAC's financial statements as of and for the fiscal years ended September 30, 2018, and 2017, are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles;
- no material weaknesses in internal control over financial reporting based on the limited procedures we performed; and
- no reportable noncompliance for fiscal year 2018 with provisions of applicable laws, regulations, contracts, and grant agreements we tested.

The following sections discuss in more detail (1) our report on the financial statements, which includes required supplementary information (RSI) and other information included with the financial statements; (2) our report on internal control over financial reporting; and (3) our report on compliance with laws, regulations, contracts, and grant agreements.

### **Report on the Financial Statements**

In accordance with the provisions of Accountability of Tax Dollars Act of 2002 (ATDA) (Pub. L. No. 107-289), we have audited EAC's financial statements. EAC's financial statements comprise the balance sheets as of September 30, 2018, and 2017; the related statements of net cost, changes in net position, and budgetary resources for the fiscal years then ended; and the related notes to the financial statements.

We conducted our audits in accordance with U.S. generally accepted government auditing standards. We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Management's Responsibility

EAC's management is responsible for (1) the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; (2) preparing, measuring, and presenting the RSI in accordance with U.S. generally accepted accounting principles; (3) preparing and presenting other information included in documents containing the audited financial statements and auditor's report, and ensuring the consistency of that information with the audited financial statements and the RSI; and (4) maintaining effective internal control over financial reporting, including 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 audits. U.S. generally accepted government auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. We are also responsible for applying certain limited procedures to RSI and other information included with the financial statements.

An audit of financial statements 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 auditor's 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 of financial statements also involves evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audits also included performing such other procedures as we considered necessary in the circumstances.

### Opinion on Financial Statements

In our opinion, EAC's financial statements present fairly, in all material respects, EAC's financial position as of September 30, 2018, and 2017, and its net cost of operations, changes in net position, and budgetary resources for the fiscal years then ended in accordance with U.S. generally accepted accounting principles.

### Other Matters

#### Required Supplementary Information

U.S. generally accepted accounting principles issued by the Federal Accounting Standards Advisory Board (FASAB) require that the RSI be presented to supplement the financial statements. Although the RSI is not a part of the financial statements, FASAB considers this information to be an essential part of financial reporting for placing the financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with U.S. generally accepted government auditing standards, which consisted of inquiries of management about the methods of preparing the RSI and comparing the information for consistency with management's responses to the auditor's inquiries, the financial statements, and other knowledge we obtained during the audit of the financial statements, in order to report omissions or material departures from FASAB guidelines, if any, identified by these limited procedures. We did not audit and we do not express an opinion or provide any assurance on the RSI because the limited procedures we applied do not provide sufficient evidence to express an opinion or provide any assurance.

## Other Information

EAC's other information contains a wide range of information, some of which is not directly related to the financial statements. This information is presented for purposes of additional analysis and is not a required part of the financial statements or the RSI. We read the other information included with the financial statements in order to identify material inconsistencies, if any, with the audited financial statements. Our audit was conducted for the purpose of forming an opinion on EAC's financial statements. We did not audit and do not express an opinion or provide any assurance on the other information.

## **Report on Internal Control over Financial Reporting**

In connection with our audits of EAC's financial statements, we considered EAC's internal control over financial reporting, consistent with our auditor's responsibility discussed below. We performed our procedures related to EAC's internal control over financial reporting in accordance with U.S. generally accepted government auditing standards.

### Management's Responsibility

EAC's management is responsible for maintaining effective internal control over financial reporting, including 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

In planning and performing our audit of EAC's financial statements as of and for the year ended September 30, 2018, in accordance with U.S. generally accepted government auditing standards, we considered the EAC's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of EAC's internal control over financial reporting. Accordingly, we do not express an opinion on EAC's internal control over financial reporting. We are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses. We did not consider all internal controls relevant to operating objectives, such as those controls relevant to preparing performance information and ensuring efficient operations.

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.

## Definition and Inherent Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, the objectives of which are to provide reasonable assurance that (1) transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition, and (2) transactions are executed in accordance with provisions of applicable laws, including those governing the use of budget authority, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements due to fraud or error.

## Results of Our Consideration of Internal Control over Financial Reporting

Our consideration of internal control was for the limited purpose described above, and was not designed to identify all deficiencies in internal control that might be material weaknesses and significant deficiencies or to express an opinion on the effectiveness of EAC's internal control over financial reporting. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. 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 we will report on them separately in a management letter.

## Intended Purpose of Report on Internal Control over Financial Reporting

The purpose of this report is solely to describe the scope of our consideration of EAC's internal control over financial reporting and the results of our procedures, and not to provide an opinion on the effectiveness of the EAC's internal control over financial reporting. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering internal control over financial reporting. Accordingly, this report on internal control over financial reporting is not suitable for any other purpose.

## **Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements**

In connection with our audits of EAC's financial statements, we tested compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements consistent with our auditor's responsibility discussed below. We caution that noncompliance may occur and not be detected by these tests. We performed our tests of compliance in accordance with U.S. generally accepted government auditing standards.

## Management's Responsibility

EAC's management is responsible for complying with laws, regulations, contracts, and grant agreements applicable to EAC.

### Auditor's Responsibility

Our responsibility is to test compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements applicable to EAC that have a direct effect on the determination of material amounts and disclosures in EAC's financial statements, and perform certain other limited procedures. Accordingly, we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to EAC.

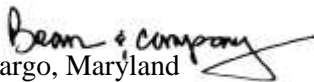
### Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance for fiscal year 2018 that would be reportable under U.S. generally accepted government auditing standards. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements applicable to EAC. Accordingly, we do not express such an opinion.

### Intended Purpose of Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

The purpose of this report is solely to describe the scope of our testing of compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements, and the results of that testing, and not to provide an opinion on compliance. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering compliance. Accordingly, this report on compliance with laws, regulations, contracts, and grant agreements is 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 13, 2018

**Election Assistance Commission**  
**BALANCE SHEET**  
**AS OF SEPTEMBER 30, 2018 AND 2017**  
(In Dollars)

	2018	2017
<b>Assets:</b>		
Intragovernmental		
Fund Balance With Treasury (Note 2)	\$ 11,882,152	\$ 12,845,226
Other (Note 4)	652,925	840,898
Total Intragovernmental	12,535,077	13,686,124
Accounts Receivable, Net (Note 3)	1,358	8,171
Property, Equipment, and Software, Net (Note 5)	306,689	256,087
<b>Total Assets</b>	<b>\$ 12,843,124</b>	<b>\$ 13,950,382</b>
<b>Stewardship PP&amp;E (Note X)</b>		
<b>Liabilities:</b>		
Intragovernmental		
Accounts Payable	\$ 30,019	\$ 101,738
Other (Note 7)	34,806	37,295
Total Intragovernmental	64,825	139,033
Accounts Payable	224,076	325,055
Other (Note 7)	389,449	388,216
Total Liabilities (Note 6)	\$ 678,350	\$ 852,304
<b>Commitments and Contingencies (Note X)</b>		
<b>Net Position:</b>		
Unexpended Appropriations - Other Funds	\$ 12,124,765	\$ 13,066,800
Cumulative Results of Operations - Other Funds	40,009	31,278
Total Net Position	\$ 12,164,774	\$ 13,098,078
<b>Total Liabilities and Net Position</b>	<b>\$ 12,843,124</b>	<b>\$ 13,950,382</b>

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

**Election Assistance Commission**  
**STATEMENT OF NET COST**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017**  
(In Dollars)

	2018	2017
<b>Program Costs:</b>		
Program <b>A</b> : Communication and Clearinghouse		
Gross Costs	\$ 1,681,625	\$ 1,774,387
Net Program Costs	\$ 1,681,625	\$ 1,774,387
Program <b>B</b> : Fund and Oversee		
Gross Costs	\$ 2,312,486	\$ 4,030,104
Net Program Costs	\$ 2,312,486	\$ 4,030,104
Program <b>C</b> : Research, Policy, and Programs		
Gross Costs	\$ 2,889,725	\$ 810,650
Net Program Costs	\$ 2,889,725	\$ 810,650
Program <b>D</b> : Testing and Certifications		
Gross Costs	\$ 381,763,206	\$ 3,072,956
Net Program Costs	\$ 381,763,206	\$ 3,072,956
Net Cost of Operations (Note 9)	\$ 388,647,042	\$ 9,688,097

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



**Election Assistance Commission**  
**STATEMENT OF CHANGES IN NET POSITION**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017**  
(In Dollars)

	2018	2017
<b>Unexpended Appropriations:</b>		
Beginning Balances	\$ 13,066,800	\$ 15,654,782
Adjustments		
Beginning Balances, as Adjusted	13,066,800	15,654,782
<b>Budgetary Financing Sources:</b>		
Appropriations Received	390,100,000	9,600,000
Appropriations Transferred In/Out	(1,500,000)	(1,400,000)
Other Adjustments	(1,096,406)	(1,315,360)
Appropriations Used	(388,445,629)	(9,472,623)
Total Budgetary Financing Sources	(942,035)	(2,587,983)
Total Unexpended Appropriations	\$ 12,124,765	\$ 13,066,799
<b>Cumulative Results of Operations:</b>		
Beginning Balances	\$ 31,278	\$ 112,453
Adjustments		
Beginning Balances, as Adjusted	31,278	112,453
<b>Budgetary Financing Sources:</b>		
Appropriations Used	388,445,629	9,472,623
<b>Other Financing Sources (Non-Exchange):</b>		
Imputed Financing Sources	210,144	134,299
Total Financing Sources	388,655,773	9,606,922
Net Cost of Operations	(388,647,042)	(9,688,097)
Net Change	8,731	(81,175)
Cumulative Results of Operations	\$ 40,009	\$ 31,278
Net Position	\$ 12,164,774	\$ 13,098,077

**Election Assistance Commission**  
**STATEMENT OF BUDGETARY RESOURCES**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017**  
**(In Dollars)**

	2018	2017
<b>Budgetary Resources:</b>		
Unobligated balance from prior year budget authority, net	\$ 7,921,422	\$ 9,084,503
Appropriations	388,600,000	8,200,000
<b>Total Budgetary Resources</b>	<b>\$ 396,521,422</b>	<b>\$ 17,284,503</b>
<b>Memorandum (non-add) Entries:</b>		
Net adjustments to unobligated balance brought forward, Oct. 1	\$ (5,421,601)	\$ (7,644,539)
<b>Status of Budgetary Resources:</b>		
New obligations and upward adjustments (total) (Note 11)	\$ 388,256,900	\$ 8,513,756
Unobligated balance, end of year:		
Apportioned, unexpired account	1,776,917	1,036,881
Unapportioned, unexpired accounts	1,557,795	1,968,262
Unexpired unobligated balance, end of year	3,334,712	3,005,143
Expired unobligated balance, end of year	4,929,810	5,765,604
Unobligated balance, end of year (total)	8,264,522	8,770,748
<b>Total Budgetary Resources</b>	<b>\$ 396,521,422</b>	<b>\$ 17,284,503</b>
<b>Outlays, net:</b>		
Outlays, net, (total)	388,466,668	9,455,013
<b>Agency outlays, net</b>	<b>\$ 388,466,668</b>	<b>\$ 9,455,013</b>



## **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 two 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, Election Security Grants General Fund accounts.

EAC has rights and ownership of all assets reported in these financial statements. EAC does not possess any non-entity assets.

#### **B. Basis of Presentation**

The financial statements have been prepared to report the financial position and results of operations of EAC. The Balance Sheet presents the financial position of the agency. The Statement of Net Cost presents the agency's operating results; the Statement of Changes in Net Position displays the changes in the agency's equity accounts. The Statement of Budgetary Resources presents the sources, status, and uses of the agency's resources and follows the rules for the Budget of the United States Government.

The statements are a requirement of the Chief Financial Officers Act of 1990, the Government Management Reform Act of 1994 and the Accountability of Tax Dollars Act of 2002. They have been prepared from, and are fully supported by, the books and records of EAC in accordance with the hierarchy of accounting principles generally accepted in the United States of America, standards issued by the Federal Accounting Standards Advisory Board (FASAB), Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*, as amended, and EAC accounting policies which are summarized in this note. These statements, with the exception of the Statement of Budgetary Resources, are different from financial management reports, which are also prepared pursuant to OMB directives that are

used to monitor and control EAC's use of budgetary resources. The financial statements and associated notes are presented on a comparative basis. Unless specified otherwise, all amounts are presented in dollars.

**C. Basis of Accounting**

Transactions are recorded on both an accrual accounting basis and a budgetary basis. Under the accrual method, revenues are recognized when earned, and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Budgetary accounting facilitates compliance with legal requirements on the use of federal funds.

**D. Fund Balance with Treasury**

Fund Balance with Treasury is the aggregate amount of the EAC's funds with Treasury in expenditure accounts. Appropriated funds recorded in expenditure accounts are available to pay current liabilities and finance authorized purchases.

The EAC does not maintain bank accounts of its own, has no disbursing authority, and does not maintain cash held outside of Treasury. Treasury disburses funds for the agency on demand.

**E. Accounts Receivable**

Accounts receivable consists of amounts owed to EAC by other Federal agencies and the general public. EAC has made advance payments for services from other Federal Agencies. When the period of performance for these services expires without fulfillment of the contract, a receivable is recorded. EAC has also made advance grant payments to the states for the primary purpose of replacing punch card or lever voting machines. The period of use of this grant money has expired. All unused funds that have not been returned have been recorded as a receivable. Amounts due from Federal agencies are considered fully collectible. Accounts receivable from the public include reimbursements from employees. An allowance for uncollectible accounts receivable from the public is

established when, based upon a review of outstanding accounts and the failure of all collection efforts, management determines that collection is unlikely to occur considering the debtor's ability to pay.

**F. Property, Equipment, and Software**

Property, equipment and software represent furniture, fixtures, equipment, and information technology hardware and software which are recorded at original acquisition cost and are depreciated or amortized using the straight-line method over their estimated useful lives. Major alterations and renovations are capitalized, while maintenance and repair costs are expensed as incurred. EAC's capitalization threshold varies based on the property classification for assets with a useful life of 2 or more years. For general property and equipment, the capitalization threshold is \$10,000 with a bulk purchase policy of \$100,000. For leasehold improvements and software, the capitalization threshold is \$25,000.

Property, equipment, and software acquisitions that do not meet the capitalization criteria are expensed upon receipt. Applicable standard governmental guidelines regulate the disposal and convertibility of agency property, equipment, and software. The useful life classifications for capitalized assets are as follows:

<u>Description</u>	<u>Useful Life (years)</u>
Leasehold Improvements	4 - 7
Office Furniture	5
Computer Equipment	5
Office Equipment	5
Software	5

**G. Advances and Prepaid Charges**

On occasion the EAC prepays amounts in anticipation of receiving future benefits. Although a payment has been made, an expense is not recorded until goods have been received or services have been performed. The EAC has prepayments and advances with non-

governmental, as well as governmental, vendors.

## **H. Liabilities**

Liabilities represent the amount of funds likely to be paid by the EAC as a result of transactions or events that have already occurred.

EAC reports its liabilities under two categories, Intragovernmental and With the Public. Intragovernmental liabilities represent funds owed to another government agency. Liabilities With the Public represents funds owed to any entity or person that is not a federal agency, including private sector firms and federal employees. Each of these categories may include liabilities that are covered by budgetary resources and liabilities not covered by budgetary resources.

Liabilities covered by budgetary resources are liabilities funded by a current appropriation or other funding source. These consist of accounts payable and accrued payroll and benefits. Accounts payable represent amounts owed to another entity for goods ordered and received and for services rendered except for employees. Accrued payroll and benefits represent payroll costs earned by employees during the fiscal year which are not paid until the next fiscal year. EAC also accrues liabilities for Section 251 grants, research and development grants for such items as improving voting technology and processes for injured military personnel, and logic and accuracy testing grants. See the required supplemental information for a more detailed explanation of the grants.

Liabilities not covered by budgetary resources are liabilities that are not funded by any current appropriation or other funding source. These liabilities consist of accrued annual leave.

## **I. Annual, Sick, and Other Leave**

Annual leave is accrued as it is earned, and the accrual is reduced as leave is taken. The balance in the accrued leave account is adjusted to reflect current pay rates. Liabilities associated with other types of vested leave, including compensatory, restored leave, and sick leave in certain circumstances, are accrued at year-end, based on latest pay rates and unused hours of leave. Funding will be obtained from future financing sources to the extent that current or prior year appropriations are not available to fund annual and other types of vested leave earned but not taken. Nonvested leave is expensed when used. Any liability for sick leave that is accrued but not taken by a Civil Service Retirement System (CSRS)-covered employee is transferred to the Office of Personnel Management (OPM) upon the retirement of that individual. Credit is given for sick leave balances in the computation of annuities upon the retirement of Federal Employees Retirement System (FERS)-covered employees effective at 50% 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 2017 and 2016 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, 2018 and 2017, were as follows:

	2018	2017
<b>Status of Fund Balance with Treasury:</b>		
Unobligated Balance		
Available	\$ 1,776,917	\$ 1,036,881
Unavailable	6,487,605	7,733,866
Obligated Balance Not Yet Disbursed	3,617,630	4,074,479
<b>Total</b>	<b>\$ 11,882,152</b>	<b>\$ 12,845,226</b>

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, 2018 and 2017, were as follows:

	2018	2017
Intragovernmental		
<b>Total Intragovernmental Accounts Receivable</b>	<b>\$ -</b>	<b>\$ -</b>
With the Public		
Accounts Receivable	\$ 1,358	\$ 8,171
<b>Total Public Accounts Receivable</b>	<b>\$ 1,358</b>	<b>\$ 8,171</b>
<b>Total Accounts Receivable</b>	<b>\$ 1,358</b>	<b>\$ 8,171</b>

**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, 2018 and 2017.



#### NOTE 4. ADVANCES AND PREPAYMENTS

Advances and Prepayments balances as of September 30, 2018 and 2017, were as follows:

	2018	2017
Intragovernmental		
Advances and Prepayments	\$ 652,925	\$ 840,898
Other Assets	-	-
<b>Total Intragovernmental Other Assets</b>	<b>\$ 652,925</b>	<b>\$ 840,898</b>

#### NOTE 5. PROPERTY, EQUIPMENT, AND SOFTWARE

Schedule of Property, Equipment, and Software as of September 30, 2018

Major Class	Acquisition Cost	Accumulated Amortization/Depreciation	Net Book Value
Building	\$ -	\$ -	\$ -
Leasehold Improvements	1,205,830	1,205,830	-
Furniture & Equipment	1,149,097	922,299	226,798
Software	172,721	172,721	-
Construction-in-Progress	-	N/A	-
Software-in-Development	79,891	N/A	79,891
<b>Total</b>	<b>\$ 2,607,539</b>	<b>\$ 2,300,850</b>	<b>\$ 306,689</b>

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

Major Class	Acquisition Cost	Accumulated Amortization/Depreciation	Net Book Value
Building	\$ -	\$ -	\$ -
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
<b>Total</b>	<b>\$ 2,472,182</b>	<b>\$ 2,216,095</b>	<b>\$ 256,087</b>

Depreciation expense was \$84,754.72 and \$174,004.48 for the twelve months ending September 30, 2018 and 2017, respectively.

#### NOTE 6. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The liabilities for EAC as of September 30, 2018 and 2017, 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.

	2018	2017
Unfunded Leave	268,038	232,905
Total Liabilities Not Covered by Budgetary Resources	\$ 268,038	\$ 232,905
Total Liabilities Covered by Budgetary Resources	410,312	619,399
<b>Total Liabilities</b>	<b>\$ 678,350</b>	<b>\$ 852,304</b>

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, 2018 were as follows:

	Current	Non Current	Total
Intragovernmental			
FECA Liability	\$ 6,450		\$ 6,450
Payroll Taxes Payable	28,356	-	28,356
<b>Total Intragovernmental Other Liabilities</b>	<b>\$ 34,806</b>	<b>\$ -</b>	<b>\$ 34,806</b>
With the Public			
Payroll Taxes Payable	\$ 9,413	\$ -	\$ 9,413
Accrued Funded Payroll and Leave	111,998	-	111,998
Unfunded Leave	268,038	-	268,038
<b>Total Public Other Liabilities</b>	<b>\$ 389,449</b>	<b>\$ -</b>	<b>\$ 389,449</b>

Other liabilities account balances as of September 30, 2017 were as follows:

	Current	Non Current	Total
Intragovernmental			
Payroll Taxes Payable	37,295	-	37,295
<b>Total Intragovernmental Other Liabilities</b>	<b>\$ 37,295</b>	<b>\$ -</b>	<b>\$ 37,295</b>
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
<b>Total Public Other Liabilities</b>	<b>\$ 388,216</b>	<b>\$ -</b>	<b>\$ 388,216</b>

## 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.

In November 2013, the EAC signed a five year lease. Under the agreement, the last full year of the lease started Oct 1, 2017 to September 30, 2018, Also, the agreement included one month, Oct 1, 2018 to October 31, 2018. The new 10 year lease begins on November 1st. The first year of the new lease is from November 1, 2018 to September 30, 2019.

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

### Scheduled of Future Lease Payments

Fiscal Year	Office Space
2019	\$ 257,726
2020	261,113
2021	262,687
2022	264,294
2023	265,934
Thereafter	1,378,425
<b>Total Future Payments</b>	<b>\$ 2,690,179</b>

## 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:

	2018	2017
<b>Communications and Clearinghouse</b>		
Intragovernmental Costs	\$ 12,622	\$ 411,906
Public Costs	1,669,003	1,362,481
<b>Total Costs</b>	<b>1,681,625</b>	<b>1,774,387</b>
<b>Testing and Certifications</b>		
Intragovernmental Costs	\$ 2,865,347	\$ 935,547
Public Costs	378,897,859	3,094,557
<b>Total Costs</b>	<b>381,763,206</b>	<b>4,030,104</b>
<b>Research, Policy, and Programs</b>		
Intragovernmental Costs	\$ 21,541	\$ 188,184
Public Costs	2,868,184	622,466
<b>Total Costs</b>	<b>2,889,725</b>	<b>810,650</b>
<b>Fund and Oversee</b>		
Intragovernmental Costs	\$ 17,357	\$ 713,355
Public Costs	2,295,129	2,359,600
<b>Total Costs</b>	<b>2,312,486</b>	<b>3,072,955</b>
<b>Total Intragovernmental costs</b>	<b>2,916,866</b>	<b>2,248,992</b>
<b>Total Public costs</b>	<b>385,730,176</b>	<b>7,439,105</b>
<b>Total Net Cost</b>	<b>\$ 388,647,042</b>	<b>\$ 9,688,097</b>

**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 2017, has been reconciled to the Statement of Budgetary Resources. The FY 2019 President’s Budget, with actual amounts for FY 2018, will not be published until February 2019.

The budget that includes the fiscal year 2017 actual execution information is as follows:

FY 2017	Budgetary Resources	Obligations Incurred	Distributed Offsetting Receipts	Net Outlays
Statement of Budgetary Resources	\$17	\$9	\$0	\$9
Spending Authority from Offsetting				
Collections	\$0			
Unobligated Balance Not Available	\$8			
Difference - Due to Rounding	\$0	(\$1)	\$0	(\$2)
<b>Budget of the U.S. Government</b>	<b>\$ 9</b>	<b>\$ 8</b>	<b>\$ -</b>	<b>\$ 7</b>

**NOTE 11. APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED**

Obligations incurred and reported in the Statement of Budgetary Resources in 2018 and 2017 consisted of the following:

	2018	2017
Direct Obligations, Category B	388,256,900	8,513,756
<b>Total Obligations Incurred</b>	<b>\$ 388,256,900</b>	<b>\$ 8,513,756</b>

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, 2018 and 2017, budgetary resources obligated for undelivered orders are as follows:

FY 2018	Federal	Non-Federal	Total
Paid Undelivered Orders	\$ 652,925	\$ -	\$ 652,925
Unpaid Undelivered Orders	146,529	3,060,789	3,207,318
<b>Total Undelivered Orders</b>	<b>\$ 799,454</b>	<b>\$ 3,060,789</b>	<b>\$ 3,860,243</b>

FY 2017	Federal	Non-Federal	Total
Paid Undelivered Orders	\$ 840,896	\$ -	\$ 840,896
Unpaid Undelivered Orders	(247,473)	3,702,629	3,455,156
<b>Total Undelivered Orders</b>	<b>\$ 593,423</b>	<b>\$ 3,702,629</b>	<b>\$ 4,296,052</b>

### NOTE 13. RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

EAC has reconciled its budgetary obligations and non-budgetary resources available to its net cost of operations.

**Election Assistance Commission**  
**RECONCILIATION OF NET COST AND BUDGET OUTLAYS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**  
(In Dollars)

	Intragovernmental	With the Public	Total
<b>Net Operating Cost (SNC)</b>	<b>388,647,042</b>	<b>-</b>	<b>388,647,042</b>
<b>Components of Net Operating Cost Not Part of the Budgetary Outlays</b>			
Property, plant, and equipment depreciation		(84,755)	(84,755)
<b>Increase/(decrease) in assets:</b>			
Accounts receivable	-	(6,737)	(6,737)
Other assets	(187,972)	-	(187,972)
<b>(Increase)/decrease in liabilities not affecting Budget Outlays:</b>			
Accounts payable	71,718	100,979	172,697
Salaries and benefits	2,489	33,825	36,314
Other liabilities	-	(35,057)	(35,057)
<b>Other financing sources:</b>			
Federal employee retirement benefit costs	(210,145)		(210,145)
<b>Total Components of Net Operating Cost Not Part of the Budget Outl</b>	<b>(323,910)</b>	<b>8,255</b>	<b>(315,655)</b>
<b>Components of the Budget Outlays That Are Not Part of Net Operating Cost</b>			
Acquisition of capital assets	-	135,356	135,356
Other	79.00	(154)	(75)
<b>Total Components of the Budget Outlays That Are Not Part of Net Op</b>	<b>79.00</b>	<b>135,202</b>	<b>135,281</b>
<b>Other Temporary Timing Differences</b>			
	-	-	-
<b>Net Outlays (Calculated Total)</b>	<b>388,323,211</b>	<b>143,457</b>	<b>388,466,668</b>
<b>Related Amounts on the Statement of Budgetary Resources</b>			
Outlays, net, (total) (SBR 4190)			388,466,668
Distributed offsetting receipts (SBR 4200)			-
<b>Outlays, Net (SBR 4210)</b>			<b>388,466,668</b>

### 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. Also, the Consolidated Appropriations Act of 2018 was signed into law, making the EAC responsible for distributing \$380 million of Election Security Grants to states to improve the administration of federal elections

	2018	2017
FY 2010 Section 251 Requirements Payments		\$ 1,929,468
FY 2011 Section 251 Requirements Payments		37,968
Requirements Payments		(60,652)
Election Security Grants	380,000,000	
<b>Net Cost of Operations</b>	<b>\$ 380,000,000</b>	<b>\$ 1,906,784</b>

During FY 2017, EAC received a grant refund of \$60,652. There were no offsetting requirement payments during that period.

## NOTE 15. CUSTODIAL ACTIVITY

**Election Assistance Commission**  
**STATEMENT OF CUSTODIAL ACTIVITY**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017**  
**(In Dollars)**

	2018	2017
<b>Revenue Activity:</b>		
Sources of Cash Collections:		
Miscellaneous	79	-
Total Cash Collections (Note X)	79	-
Accrual Adjustments	(75)	75
Total Custodial Revenue	4	75
<b>Disposition of Collections:</b>		
Transferred to Others (by Recipient)	154	(75)
Increase/(Decrease) in Amounts Yet to be Transferred	(75)	75
Retained by the Reporting Entity	(75)	75
Total Disposition of Collections	4	75
Net Custodial Activity	-	-

A cash collection for an employee in the amount of \$75 (\$15.36 original debt plus \$59.64 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.

## II.D. REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION (UNAUDITED)

### Non-Federal Physical Property

Stewardship investments are substantial investments made by the Federal Government for the benefit of the nation, but are not physical assets owned by the Federal Government. When incurred, they are treated as expenses in determining the net cost of operations. However, these items merit special treatment so that users of Federal financial reports know the extent of investments that are made for long-term benefit. Such investments are measured in terms of expenses incurred for non-Federal physical property, human capital, and research and development.

In October 2002, Congress passed the Help America Vote Act (HAVA). The law recognized the need for states to invest in their election infrastructure. A major provision of HAVA, Title III, *Uniform and Nondiscriminatory Election Technology and Administration Requirements*, sets forth requirements for each voting system used in an election for Federal office.

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

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
<b>Section 102 Funds</b>	\$ 19,905,709	\$ 36,838,905	\$ (163,130)	\$ 90,122	\$ 137,401	\$ (267,813)	\$ (10,769)	\$ 0	\$ (60,652.18)	0
<b>Section 251 Funds</b>	262,018,224	143,247,989	104,356,159	40,410,437	43,417,090	168,169,476	75,586,153	110,248,566	72,618,422	0
<b>HAVA Security Grants</b>										380,000,000
<b>Total</b>	<b>\$281,923,933</b>	<b>180,086,894</b>	<b>\$104,193,029</b>	<b>\$40,500,559</b>	<b>\$43,554,491</b>	<b>\$167,901,663</b>	<b>\$75,575,384</b>	<b>\$110,248,566</b>	<b>\$72,557,770</b>	<b>\$380,000,000</b>

**Section 102 Funds.** Section 102 funds were disbursed to states for the primary purpose of replacing punch card or lever voting machines. As such, section 102 funds were used to purchase physical property.

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

**HAVA Security Grants.** Congress signed the Consolidated Appropriations Act of 2018 into law. The Act included \$380 million in grants, made available to states to improve the administration of

elections for Federal office, including to enhance technology and make certain election security improvements.

**Research and Development**

EAC had two research and development initiatives completed in FY 2015. The initiatives provided funds to support the search for new or improved election voting technology that increases the accessibility and accuracy of voting for all citizens. Costs incurred on these initiatives are included in the calculation of net costs.

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

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

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
<b>Accessible Voting Technology Initiative</b>	\$ 270,011	\$ 1,630,476	\$ 2,809,602	\$ 2,429,159	\$ -	\$ (6,605)	\$ 0	\$ 0
<b>Logic and Accuracy</b>	-	275,040	485,600	236,499	(17,638)	(1,520)	0	0
<b>Total</b>	<b>\$ 270,011</b>	<b>\$1,905,516</b>	<b>\$3,295,202</b>	<b>\$2,665,658</b>	<b>\$(17,638)</b>	<b>\$ (8,125)</b>	<b>\$ 0</b>	<b>\$ 0</b>



## **Section III**

### **Other Accompanying Information**



U.S. ELECTION ASSISTANCE COMMISSION  
1335 EAST-WEST HIGHWAY, SUITE 4300  
SILVER SPRING, MD 20910

*OFFICE OF THE INSPECTOR GENERAL*

## Memorandum

To: Thomas Hicks  
Chairman, U.S. Election Assistance Commission

*Patricia L. Layfield*

From: Patricia L. Layfield  
Inspector General

Date: October 15, 2018

Subject: Top Management Challenges Facing the U.S. Election Assistance Commission  
Report No. I-MC-EAC-03-19

In accordance with the Reports Consolidation Act of 2000, I am submitting our annual statement summarizing the areas which the Office of Inspector General considers to be the most serious management and performance challenges facing the U.S. Election Assistance Commission. This list is based upon our audit, inspection and evaluation work; and general knowledge of the agency's operations.

The only remaining challenge from last year is the issue of records management, on which EAC has completed several key initiatives. We have noted the progress that EAC has made on each of the previously identified challenges. For fiscal year 2018, I am reporting a new challenge: the lack of a quorum on the Commission.

If you have any questions or need additional information, please don't hesitate to contact me.

Attachment

cc: Commissioner Christy A. McCormick, U.S. Election Assistance Commission  
Brian Newby, Executive Director, U.S. Election Assistance Commission  
Cliff Tatum, General Counsel, U.S. Election Assistance Commission  
Mark Listes, Director of Policy, U.S. Election Assistance Commission  
Brenda Soder, Director of Communications

## Introduction

The Reports Consolidation Act of 2000 requires the Office of Inspector General (OIG) to report annually on what it considers to be the most serious management and performance challenges facing the U.S. Election Assistance Commission (EAC). Management challenges are derived from cross-cutting issues that arise during our regular audit, evaluation and investigatory work. They are also influenced by our general knowledge of the agency's operations and the works of other evaluative bodies such as the Government Accountability Office (GAO).

For fiscal year 2018, the OIG is reporting on one challenge, Records Management that we have reported for a number of years. We have added one additional challenge for 2018, the absence of a quorum on the Commission.

## Status of Previously Reported Challenges

### Strategic Planning - Originally Issued 2008

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

- Short and long-term strategic plans, performance goals and measurements to guide the organization and staff.
- An organizational structure that clearly defines areas of responsibility and an effective hierarchy for reporting.
- Appropriate and effective internal controls based on risk assessments.
- Policies and procedures in all program areas to document governance and accountability structure and practices in place. It is imperative that the Commissioners define their roles and responsibilities in relationship to the daily operations of the EAC and to assume the appropriate leadership role.

Since the description of the planning challenge arose in 2008, EAC acquired three Commissioners, a new Executive Director and a new General Counsel. Together, they made significant progress toward meeting this challenge and developed a comprehensive communications strategic plan. The agency has also developed policies and procedures for the Communications Division and the research process. An OIG audit completed in August 2017 recommended the EAC develop, document and implement a 5-year strategic plan and enhance the record management system to document decisions, operations, policies, procedures, and practice. During 2018, EAC developed and implemented a strategic plan and has used it in developing annual plans. Thus planning is no longer the significant challenge it once was.

## [Elections Systems as Critical Infrastructure – Originally Issued 2017](#)

Citing the vital role elections play in the country, the Department of Homeland Security (DHS) designated elections systems as critical infrastructure in January 2017. EAC possessed the subject matter expertise, the relationships with state and local elections officials, and the in-depth understanding of local election operations necessary to provide much-needed support to DHS in implementing that designation. As such, EAC has played a key role in helping DHS understand the elections sub-sector. The agency has also used its communication channels with state and local elections officials to educate officials and the public on critical infrastructure concepts, roles, responsibilities and DHS' capabilities to apply cybersecurity intelligence to hardening the nation's elections systems against intrusion, disruption, and loss. As the nation's clearinghouse for election administration information, EAC has taken on the challenge of supporting DHS as a crucial partner in spite of having limited human and financial resources that have steadily decreased over the past few years due to decreases in congressional appropriations.

EAC's role in supporting the protection of election systems as critical infrastructure has evolved into an everyday function within its clearinghouse mission. EAC is a member of the Government Coordinating Council (GCC) and serves as a distribution channel to state and local officials. To enhance its readiness to fulfill its mission, EAC has added or shifted some personnel duties and is creating a cybersecurity position within the agency.

## [Challenge 1: Records Management – Originally Issued 2010](#)

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

The EAC did not have documented policies and procedures for management and retention of records. The OIG first noted the EAC's lack of a records management system in 2008, when it issued the Assessment of EAC's Program and Financial Operations.

The lack of an approved system for records retention leaves the EAC vulnerable to lawsuits by information requesters and susceptible to waste, fraud, or abuse of its resources and the intentional destruction of government records in violation of federal law. The EAC should take steps to complete its remaining records retention schedules, obtain approval of those schedules as needed from the National Archives and Records Administration (NARA), and train its staff on the proper retention of federal government record.

## EAC's Progress

In March 2013, the Executive Director of EAC signed a document titled, U.S. Election Assistance Commission (EAC) Records Management Standard Operating Procedures. EAC has completed the records retention schedules for the Office of Inspector General, Human Resources, the Executive Director, the Commissioners, the General Counsel, the Chief Financial Officer, and Grants and Communications and submitted the schedules to the National Archives and Records Administration (NARA) as needed. The schedules for the Research Division and Testing and Certification have been developed. EAC had begun to plan for a system to organize and archive EAC emails, which was due to be completed by December 31, 2016.

During 2018, EAC implemented a new e-mail system with automated indexing that allows the agency to index, search, and retrieve records electronically. EAC has also identified means by which the agency can convert or capture records created using previous e-mail systems. EAC hired a new Chief Information Officer, who will complete the task to configure electronic records retention. EAC has scanned paper copies of records and saved them in portable document format (PDF). EAC has coordinated with the NARA to provide training for all employees. The agency believes retention of electronic records is on schedule to comply with the required 2019 deadline.

EAC also prepared records retention schedules for its Testing & Certification and Research divisions. Those schedules are ready to be submitted for review and approval by NARA.

## **Challenge 2: Lack of a Quorum on the Commission – New in 2018**

Early in 2018, one of EAC's Commissioners resigned. Because EAC has only had three Commissioners since January 2015, his departure left the Commission without a quorum. The EAC requires a quorum in order to adopt policies, including policies related to the National Voter Registration Act (NVRA), the Voluntary Voting System Guidelines (VVSG), among others. EAC has adopted a new strategic plan and needs to reconsider certain policies in order to adapt to declining budgets. Without a quorum, adoption of policies that will allow EAC to continue to move forward could be delayed.

EAC was recently advised that the President has nominated two individuals to fill the vacant Commissioner positions. Prompt installation of two new Commissioners would aid the EAC in adopting the policies necessary to modernize the organization as well as the standards and guidelines it promulgates.




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

## MEMORANDUM

Date: November 15, 2018

To: Patricia L. Layfield, Inspector General

From: Brian D. Newby, Executive Director 

RE: Response to Inspector General's Statement Summarizing the Major Management and Performance Challenges Facing the U.S. Election Assistance Commission

Thank you for sending us the Inspector General's Statement Summarizing the Major Management and Performance Challenges Facing the U.S. Election Assistance Commission, dated October 15, 2018. Following is a brief response to each item:

### **Challenge 1: Records Management**

As the IG states in her memorandum, the EAC continues to make progress towards remediating this management challenge and meeting the federal requirements relating to records management. The agency has continued to take significant steps in FY 2018 such as establishing an electronic filing system which allows the EAC to effectively manage and file records. The EAC will continue to complete this work and plans to meet all federally mandated requirements for records retention moving forward.

### **Challenge 2: Lack of a Quorum on the Commission**

The lack of quorum impacts the Commission's ability to take policymaking actions. According to the EAC's Organizational Management Policy Statement, "Policymaking is a determination setting an overall agency mission, goals and objectives, or otherwise setting rules, guidance or guidelines."

The lack of quorum impacts the Commission's ability to change directions, for example, by adopting new strategic goals and objectives. Additionally, the Commission must vote to take certain specific policy actions, such as the adoption of new Voluntary Voting System Guidelines (VVSG), and the lack of quorum impacts such actions as well.

Despite the absence of a quorum, the agency continues to fulfill its mission on a daily basis pursuant to the EAC's Organizational Management Policy Statement which provides that the Executive Director "is expected to . . . implement policies once made."

This includes the implementation and administration of the strategies established in the EAC's 2018-2022 Strategic Plan, including the distribution of federal funds; taking steps to continually improve the effectiveness and efficiency of the agency; creation and implementation of internal operating procedures; as well as adapting agency operations to changes in congressionally appropriated budget levels.

### **III.B. IMPROPER PAYMENTS**

The Improper Payments Information Act of 2002 (IPIA), the Improper Payments Elimination and Recovery Act of 2010 (IPERA), Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA) and OMB guidance requires agencies to review, identify and assess those programs that are susceptible to significant erroneous payments, and determine an annual estimated amount of erroneous payments made in their operations. In 2018, the Consolidated Appropriations Act of 2018 was signed into law, making \$380 million available to states to improve the administration of federal election. The EAC was charged to administer these funds to states. This is the EAC's only program that meets the OMB Circular A-123 Part B's definition for being "susceptible to erroneous payments."

The Payments and Grants Division used EAC internal controls to review states narrative and budget plans to administer funds to states. After final review, the payments were processed through the Department of Treasury's Bureau of Fiscal Services (BFS). The EAC utilized its financial services provider, BFS, to monitor and process grant obligations and disbursements to states. The states were able to draw down grant funds from their SAM account. In FY 2018, BFS reported no improper payments made for the Election Security Grants.

Additionally, BFS performed a qualitative risk assessment questionnaire to determine susceptibility to improper payments. The assessment concluded that the grant payments have a low risk to improper payments. Therefore, EAC does not need corrective actions plans for the one-time, Election Security Grants program. There are no statutory or regulatory barriers that will impact the ability of EAC to successfully complete corrective actions to reduce improper payments if they were needed.

The Payment Recapture Audit performed by BFS identified zero improper payments for the Election Security Grants program.



**III.C. SUMMARY OF FINANCIAL STATEMENT AUDIT AND MANAGEMENT ASSURANCES**

<b>SUMMARY OF FISCAL YEAR 2018 FINANCIAL STATEMENT AUDIT</b>						
<b>Audit Opinion</b>		<b>Unmodified</b>				
<b>Material Weaknesses</b>		<b>Beginning Balance</b>	<b>New</b>	<b>Resolved</b>	<b>Consolidated</b>	<b>Ending Balance</b>
<b>Financial Accounting &amp; Reporting</b>		<b>0</b>				<b>0</b>
<b>Total Material Weaknesses</b>		<b>0</b>				<b>0</b>
<b>Summary of Management Assurances</b>						
<b>Statement of Assurance (FMFIA§ 2)</b>		<b>Unmodified</b>				
<b>No.</b>	<b>Summary</b>	<b>Beginning Balance</b>	<b>New</b>	<b>Resolved</b>	<b>Consolidated</b>	<b>Ending Balance</b>
<b>1</b>	<b>Material Weaknesses (FMFIA§ 2)</b>	<b>0</b>				<b>0</b>
	<b>Total</b>	<b>0</b>				<b>0</b>

