



# U.S. ELECTION ASSISTANCE COMMISSION

## AGENCY FINANCIAL REPORT

November 15, 2011

ABOUT THIS REPORT

For FY 2011 reporting purposes, the U.S. Election Assistance Commission (EAC) has again elected to submit an Agency Financial Report, with an Annual Performance Report and Citizens' Report along with the Congressional Budget Justification. The reports are targeted to the Office of Management and Budget (OMB), the Public, and Congress, respectively. The AFR allows EAC to focus on and lay out its financial position at this time, while providing summary performance data. A Citizen's Report and a combined Annual Performance Report/Congressional Budget Justification will follow on February 15, 2012 per guidance in OMB Circular A-136 *Financial Reporting Requirements*.



November 15, 2011

## MESSAGE FROM THE EXECUTIVE DIRECTOR

We are pleased to present the U.S. Election Assistance Commission (EAC) FY 2011 Annual Financial Report. The report describes EAC's financial results over the past year as it pursued its mission to assist the effective administration of Federal elections. The report highlights efforts to strengthen internal controls and financial management activities. This is the fourth year EAC has undergone a financial statement audit per the Accountability of Tax Dollars Act of 2002, and the third year EAC is participating in the pilot performance reporting project as described in OMB Circular A-136 on Financial Reporting Requirements in place of the Performance and Accountability Report. EAC presents summarized performance data in this report, and will provide detailed data in February in conjunction with the FY 2013 Congressional Justification.

During FY 2011, to address issues in the FY 2010 financial statement audit, EAC finalized policies and procedures in the areas of general administration, travel, and information technology. In FY 2012, EAC plans on finalizing human capital and records management handbooks. Further, once a quorum of the Commissioners is present, EAC will examine remaining policies and procedures related to clearinghouse and communications and public comments regarding the National Mail Voter Registration Form.

During FY 2011, EAC made a great deal of progress in achieving the program area goals described in its Strategic Plan, which is based on the mandates of the Help America Vote Act (HAVA) of 2002:

### Communications & Clearinghouse

In Fiscal Year 2011, EAC focused efforts on providing information and best practices to election officials and voters in preparation for the 2012 federal election cycle with the goal of building a community of knowledge and expertise that would save election officials time and money:

- Established [The Election Official Exchange](#) to help local election officials connect and leverage their collective knowledge by sharing best practices and information;
- Revamped the eac.gov search tool based on usability studies and user feedback;
- Added [Events finder](#) to the website for a more comprehensive presentation of all EAC public events;

- Made On-Demand webcasts of public meetings and roundtables available within 24 hours;
- Provided [Customized program updates](#) so the public can customize the kind of information and the frequency that it is delivered via EAC's newsletter and automatic program updates;
- Initiated [The EAC Blog](#) to provide periodic election updates and highlight program activities; [@EACgov on Twitter](#) to rapidly deliver information and updates about the voting system certification program, communicate with election officials, and build a community of expertise; [#BReady2012](#), the Twitter hashtag where election officials and the public can gather and discuss preparation for the next Federal election;
- Delivered communications presentations to election officials and the public, including the Electronic Verification Network, the Ohio Association of Election Officials and the National Conference of State Legislatures; and
- Offered a series of public roundtable discussions with election officials and subject experts in preparation for 2012 federal election cycle, webcast live and featuring a live Twitterfall on [Design Counts in Elections](#), and [Voting Goes Viral: Using New Media to Manage an Election and Communicate with Voters](#). Questions and comments were taken from the public throughout the webcasts.

### Grants Management

In FY 2011, EAC:

- Paid \$30,032,324 from the FY 2008 appropriation, \$38,299,071 from the FY 2009 appropriation and \$26,888,473 from the FY 2010 appropriation to the States for Section 251 Requirements Payments which are used for meeting Title III voting system and other requirements, and to improve the administration of Federal elections;
- Reported to Congress on how the States have spent HAVA funds;
- Coordinated a series of teleconferences for the College Poll Worker and Mock Election Programs focused on *Teacher and School Administration Involvement*, *Sustainability Post Grant* and *Outreach Efforts for Community Involvement*;
- Awarded two grants totaling \$7 million for the Accessible Voting Technology Initiative to support research and development activities to increase the accessibility of new, existing, and emerging technological solutions; and
- Awarded \$1,463,074 to 12 grantees for the Voting System Pre-Election Logic and Accuracy (L&A) Testing and Post-Election Audit Initiative for development, documentation and best practices in L&A and post-election audits.

### Research, Policy and Programs

Work completed in FY 2011 includes:

- Administered the 2010 Election Administration and Voting Survey to 50 States, the District of Columbia, and four territories;

- Reported to Congress on the findings of the 2009-2010 Impact of the National Voter Registration Act of 1993 (released in June 2011);
- The 2010 Statutory Overview report, which is a recitation of States' election laws and procedures (released in May 2011);
- Drafted the initial Recounts and Contests study;
- Selected a contractor to collect and analyze data for the Election Administration in Urban and Rural Settings study;
- Completed the final public hearing on a Notice of Proposed Rulemaking (NPRM) to revise the National Voter Registration Act of 1993 (NVRA) regulations and collected input from 34 public commenters;
- Received and processed State requests for modifications to the state-specific instructions on the National Mail Voter Registration Form;
- Revised *A Voter's Guide to Federal Elections* in anticipation of the 2012 election and translated it into nine languages: Chinese, Cherokee, Dakota, Japanese, Korean, Spanish, Tagalog, Vietnamese, and Yu'Pik;
- Developed a searchable online version of the *Glossaries of Election Terminology* at [www.eac.gov/glossary/default.aspx](http://www.eac.gov/glossary/default.aspx); and
- Solicited feedback from EAC College Poll Worker and Mock Election grantees via teleconferences for updating the *Guidebook for Recruiting College Poll Workers*.

Research and development work begun during FY 2011 continues on:

- Voluntary guidance for provisional voting in FY 2011;
- The HAVA-mandated study on Use of Social Security Numbers for the Purpose of Voter Registration; and
- The 2010 Uniformed and Overseas Citizens Absentee Voting Act Report.

#### Voting Systems Testing and Certification

In FY 2011, EAC:

- Certified one full system, ES&S Unity 3.2.1.0, and one modification, Unisyn 1.01;
- Performed testing during FY 2011 for eleven voting systems or system modifications;
- Completed the *Uniformed and Overseas Citizens Absentee Voting Act (UOCAVA) Registration and Voting Process* white paper;
- Published *A Survey of Internet Voting*;
- Performed ongoing work with the National Institute of Standards and Technology (NIST) to complete revision to VVSG 1.1 Draft;
- Participated in the SLI Global NVLAP audit January 31-February 2, 2011;
- Held roundtable discussions regarding the 2010 elections and preparations for 2012; Commercially available Off-the-Shelf (COTS) software; and Life Cycle of a Voting System; and
- Participated in meetings on State voting system certification, options for an FVAP-run competition to solicit system architecture for a UOCAVA internet

voting demonstration project, VVSG requirements, test suites, Internet Voting and USENIX/EVoting, current testing for the State of Oklahoma, and voting system sustainability.

EAC continues to improve its programs and operations, and information technology across the agency. Additional information on actions for continued improvement can be found in Section I.E. of the Management Discussion and Analysis which follows.

The financial and performance data in this report is reliable and complete with one material weakness related to the finalization of policies and procedures and one new material weakness dealing with internal controls over financial reporting. Except for the material weakness, the Commission provides a qualified statement of assurance that the internal control and financial management systems meet the objectives of the Federal Managers' Financial Integrity Act. EAC will work in FY 2012 to finalize these policies and procedures.

In FY 2013, we look forward to continuing to provide technical assistance to recipients of Help America Vote Act funds, and materials to election officials to assist with the administration of Federal elections.



Thomas R. Wilkey  
Executive Director

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# SECTION I

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## Management Discussion and Analysis

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 (i.e., Management Assurance signed by the Agency Head); compliance with laws and regulations; and actions taken or planned to address problems. 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*.

### **IA 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 and 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). The vision for EAC, according to the Strategic Plan 2009-2014, adopted March 2009, is to lead election reform that reaffirms the right to vote and to have all eligible votes counted accurately.

EAC is an independent, bipartisan agency. 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. Its mission is to provide assistance to State and local election officials in the effective administration of Federal elections. EAC is statutorily required to:

- Create a clearinghouse of information for election officials and the public;
- Distribute and monitor HAVA funds to States for election administration improvements;
- Issue, periodically review and modify, as necessary, Voluntary Voting System Guidelines (VVSG);
- Accredite voting system test laboratories and certify voting equipment;
- Conduct periodic studies of election administration issues as determined by the Commission;



- Establish best practices and guidelines on election administration for State and local election officials;
- Maintain the national voter registration form developed in accordance with the National Voter Registration Act (NVRA) of 1993;
- Provide Congress with a bi-annual report to assess the impact of the NVRA.

The Standards Board and the Board of Advisors provide advice and guidance to EAC on Voluntary Voting System Guidelines (VVSG) and other election administration issues. In addition, the Technical Guidelines Development Committee (TGDC) assists 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 2004, EAC's annual appropriations have included funds 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 a statewide voter registration database, train election officials, and educate voters. In Fiscal Year 2003, General Services Administration (GSA) distributed \$649,500,000 in HAVA funds to the fifty States, Guam, Puerto Rico, the U.S. Virgin Islands, American Samoa and the District of Columbia on EAC's behalf. The funds were distributed for activities to improve the administration of elections (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, within ten months of the date mandated by HAVA. The Agency's Fiscal Year 2004 operating budget was \$1.7 million. At the close of the fiscal year, EAC had a staff of 18. 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 position, 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 2011, EAC had a full-time staff of 38 employees, including two Commissioners and special assistants. Since its inception, EAC has received \$2,606,150,000 in requirements payments, \$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

## Election Assistance Commission

Verification and transferred \$24,493,000 to NIST. EAC also tracks and provides technical assistance on the Section 101 funds. The time period for using the Section 102 funds has expired, and EAC is in the process of collecting any unused funds.

### Funding

| Enacted Appropriations by Fiscal Year |                |                      |               |               |               |                |                |               |               |                    |  |  |
|---------------------------------------|----------------|----------------------|---------------|---------------|---------------|----------------|----------------|---------------|---------------|--------------------|--|--|
| (dollars in thousands)                |                |                      |               |               |               |                |                |               |               |                    |  |  |
|                                       | 2003           | 2004                 | 2005          | 2006          | 2007          | 2008           | 2009           | 2010          | 2011          | Total              |  |  |
| <b>EAC (FY 2003–2011)</b>             |                |                      |               |               |               |                |                |               |               |                    |  |  |
| EAC Salaries & Expenses               |                |                      |               |               |               |                |                |               |               |                    |  |  |
| Operations                            | \$2,000        | \$1,674 <sup>1</sup> | \$11,110      | \$10,986      | \$11,313      | \$12,330       | \$12,909       | \$13,409      | \$13,024      | <b>\$88,755</b>    |  |  |
| Mock Election Grants                  |                |                      |               |               |               | 200            | 300            | 300           |               | <b>800</b>         |  |  |
| Poll Worker Grants                    |                |                      |               | 300           |               | 750            | 750            | 750           |               | <b>2,550</b>       |  |  |
| Transfer to NIST                      |                |                      | 2,778         | 2,772         | 4,950         | 3,250          | 4,000          | 3,500         | 3,243         | <b>24,493</b>      |  |  |
| Election Reform Grants                |                |                      |               |               |               |                |                |               |               |                    |  |  |
| Requirements Payments                 | 830,000        | 1,491,150            |               |               |               | 115,000        | 100,000        | 70,000        |               | <b>2,606,150</b>   |  |  |
| Poll Worker Grants                    | 1,500          |                      |               |               |               |                |                |               |               | <b>1,500</b>       |  |  |
| Foundation                            | 1,500          |                      |               |               |               |                |                |               |               | <b>1,500</b>       |  |  |
| Voting Tech. Research                 |                |                      |               |               |               |                | 5,000          | 3,000         |               | <b>8,000</b>       |  |  |
| Testing & Verification                |                |                      |               |               |               |                | 1,000          | 2,000         |               | <b>3,000</b>       |  |  |
| Election Data Collection              |                |                      |               |               |               | 10,000         |                |               |               | <b>10,000</b>      |  |  |
| <b>TOTAL EAC</b>                      | <b>835,000</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>2,746,748</b>   |  |  |
| <b>GSA (FY 2003)</b>                  |                |                      |               |               |               |                |                |               |               |                    |  |  |
| Section 101 and 102                   | 649,500        |                      |               |               |               |                |                |               |               | <b>649,500</b>     |  |  |
| Administrative Expenses               | 500            |                      |               |               |               |                |                |               |               | <b>500</b>         |  |  |
| <b>TOTAL GSA</b>                      | <b>650,000</b> |                      |               |               |               |                |                |               |               | <b>650,000</b>     |  |  |
| <b>TOTAL EAC &amp; GSA</b>            |                |                      |               |               |               |                |                |               |               | <b>\$3,396,748</b> |  |  |

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

| <b>Status of Help America Vote Act Authorization versus Appropriations</b> |                        |     |                                       |                      |
|--|------------------------|-----|---------------------------------------|----------------------|
| (in whole dollars)   |                        |     |                                       |                      |
|  | <b>Authorized</b>      |     | <b>Appropriated<br/>FYs 2003-2011</b> | <b>Remaining</b>     |
| <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 – 2011)</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)   | 116,598,508            | 2   | 116,598,508                           | -                    |
| Election Data Collection Grants  | 10,000,000             | 3   | 10,000,000                            | -                    |
| National Student and Parent Mock Election Organization (Section 295)       | 200,000                | **  |                                       | 200,000              |
| Poll Worker Grants (Section 501)   | 5,000,000              | **  | 1,500,000                             | 3,500,000            |
| Help America Vote Foundation (Section 601)                                 | 5,000,000              | **  | 1,500,000                             | 3,500,000            |
| <b>Total</b>   | <b>\$3,819,798,508</b> |     | <b>\$3,396,748,508</b>                | <b>\$423,050,000</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

### **EAC Organization by Program**

EAC has organized its offices around the goals in the Strategic Plan. Below are brief descriptions of the four offices responsible for implementing the Strategic Plan programmatic goals. Following the descriptions is EAC's organization chart.

#### Communications and Clearinghouse

The Communications and Clearinghouse division is responsible for external communications and the tools and platforms used to provide information to election officials and the general public.

Areas of responsibility include:

- EAC Website and Clearinghouse

- Social media
- Media inquires
- External communications
- Congressional relations
- The Freedom of Information Act
- National Archives and Records Act
- Editorial support: 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, press releases, informational videos, research, data and program-related information. It also features on-demand webcasts and related information from public meetings, hearings and roundtables.

EAC's award-winning website features a user-driven notification system, allowing visitors to customize how they receive information. Users can customize their online experience by signing up for automatic e-mail alerts on a variety of election topics and events, including public meetings, advisory board meetings, reports, policies and agency news. These alerts can be received in real time on a daily or weekly basis.

### Grants Management

The Grants Management Division:

- Conducts trainings on the administration and use of HAVA funds;
- Provides technical assistance to States on administering Federal funds;
- Awards and monitors discretionary grant programs including: Help America Vote College Program, Help America Vote Mock Election Program, Military Heroes Initiative, Voting System Pre-Election Logic and Accuracy Testing and Post-Election Audit Initiative and Accessible Voting Technology Initiative;
- Processes and disburses payments to States and discretionary grant recipients;
- Tracks the submission of and reviews the content of financial and performance reports submitted by States and discretionary grant recipients;
- Reviews audit reports and works with fund recipients on recommendations to resolve audit findings;
- Reviews and publishes in the Federal Register amended State Plan submissions; and
- Drafts advisory opinions for Commission approval and issuance.

### Research, Policy and Programs

The Research, Policy and Programs division:

- Conducts research on election administration topics as mandated by Congress and at the discretion of the Commission.
- Administers the biennial Election Administration and Voting Survey.

- Administers 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 help election officials promote secure, accurate, and accessible elections by providing information on topics such as Ballot Design, Contingency Planning, Managing Change in an Election Office, Media and Public Relations, and Developing an Audit Trail for the verification of votes;
- Manages the Language Accessibility Program to provide informational materials on the Federal election process and election terminology in languages other than English, translates the National Mail Voter Registration Form, and gathers information from working groups to address the election needs of voters with limited or no English proficiency; and
- Provides materials to voters and election administration officials.

HAVA mandates that EAC issue studies on topics such as the feasibility and advisability of establishing free absentee ballot return postage, electronic voting, recounts and contests, military and overseas voters, the feasibility of alternative voting methods, the voting experiences of first-time voters who register to vote by mail, and the feasibility and advisability of identifying voters by Social Security Numbers. Mandated research includes topics such as the impact of the National Voter Registration Act of 1993.

### Voting System Testing and Certification

Under the Help America Vote Act, EAC accredits voting system test laboratories and certifies voting equipment, marking the first time the Federal government has offered these services to the States. Participation by States in the program is voluntary. Staff works with NIST to evaluate and accredit voting system test laboratories and the management of the voting system certification process.

The Testing and Certification (T&C) division:

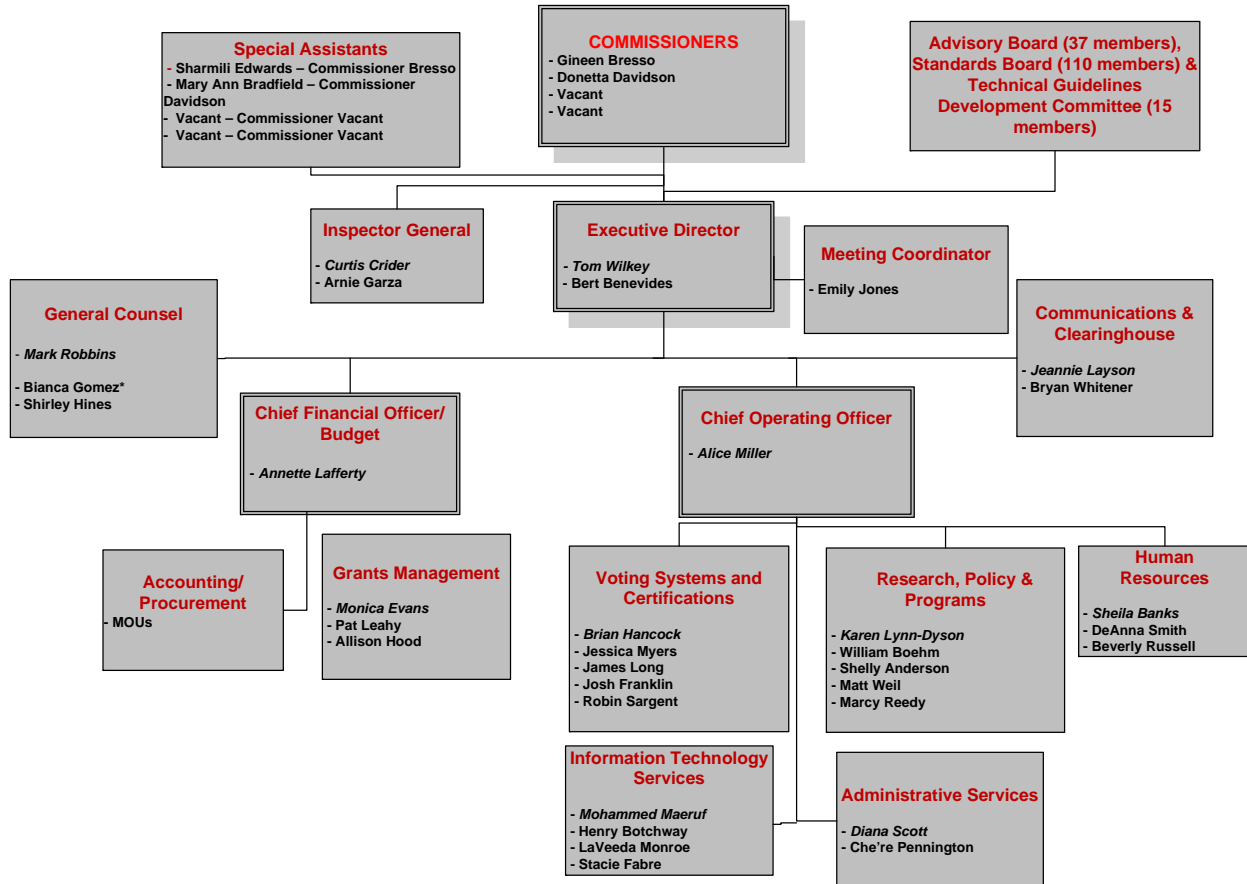
- Assists States with voluntary certification of their systems;
- Supports local elections officials in the areas of acceptance testing and pre-election system verification;
- Promotes quality control in voting system manufacturing through the EAC quality monitoring program;
- Provides procedures to the voting system manufacturers for the testing and certification of voting systems to specified Federal standards consistent with the requirements of HAVA Section 231.

EAC’s voting system certification program establishes accountability through its Quality Monitoring Program which ensures, through various check points, that the voting systems used in the field are the same systems EAC has certified. For instance, under the program, EAC has the ability to conduct site visits to production facilities to determine whether systems produced are consistent with those that have received EAC certification. In addition, EAC collects reports from election officials regarding voting system anomalies. After reviewing the reports, EAC disseminates the information to election officials. Furthermore, upon invitation or with

permission from election officials, the EAC conducts reviews of systems that are in use in the field.

More information about EAC’s Voting System Certification and Testing Program is available in EAC’s Frequently Asked Questions on eac.gov.

**U.S. ELECTION ASSISTANCE COMMISSION  
ORGANIZATION CHART**



\*Other than full time permanent staff

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

EAC 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.

**How EAC Assesses Performance**

EAC has five strategic goals:

1. Communicate timely and accurate information on the effective administration of elections for Federal office and on the operations and services offered by EAC.
2. Deliver and manage Federal funds effectively.
3. Identify and develop information on areas of pressing concern regarding the administration of elections for Federal office, issue recommended improvements, guidance, translations, and best practices as required by HAVA, and carry out responsibilities under the National Voter Registration Act.
4. Build public confidence in elections by testing and certifying voting systems to improve system security, operation, and accessibility.
5. Achieve organizational and management excellence.

The EAC Strategic Plan objectives listed below describe in general terms the results needed to accomplish its Strategic Goals. 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, documentable, representations of a capacity, process or outcome that is relevant to the assessment of performance.

**Strategic Plan Goal 1: Communicate timely and accurate information on the effective administration of elections for Federal office and on the operations and services offered by EAC.**

Outcome: The Congress, Federal agencies, State and local election officials and the public receive reliable, accurate, and non-partisan information about administering, conducting and participating in Federal elections and how, where, and when Americans vote.

Goal 1's aim of communication of timely and accurate information is the responsibility of the Communications and Clearinghouse division.

**Goal 1 FY 2011 Accomplishments**

In Fiscal Year 2011, the Communications and Clearinghouse division focused its efforts on providing information and best practices to election officials and voters in preparation for the 2012 federal election cycle. The goal was to build a community of knowledge and expertise that would save election officials time and money as they faced the challenge of providing more services to voters with fewer resources and more budget constraints. EAC embraced the tenets of government 2.0 and established a robust network of information sharing for election officials and professionals.

**EAC.gov Initiatives**

- [The Election Official Exchange](#): an online resource built by EAC to help local election officials connect and leverage their collective knowledge by sharing best practices and knowledge. By participating in the Exchange, any U.S. election official can call on a colleague for advice about virtually any administrative task they face, from testing voting equipment and training poll workers to creating an audit trail and conducting a recount.

- [Enhanced and improved search tool](#): based on usability studies and user feedback, EAC revamped its search tool enabling a more intuitive and user friendly way for the public to find information.
- [Events finder](#): more comprehensive presentation of all EAC public events, including meetings, hearings and roundtable discussions.
- [Improved webcasts](#): public events are offered live. On demand webcasts are now available within 24 hours. The meeting agenda accompanies the webcast, and the viewer can select topics of interest. All meeting materials are also available to the public.
- [Customized program updates](#): The public can customize the kind of information and the frequency that it is delivered by signing up for EAC's newsletter or automatic program updates. Users are notified daily or weekly when new documents are posted—they set the delivery preferences.

### Social Media Initiatives

- [The EAC Blog](#): a tool allowing EAC to provide periodic election updates and highlight program activities. The comment feature provides the public another tool to provide feedback to EAC.
- [@EACgov on Twitter](#): This is another tool to communicate with election officials and build a community of expertise. EAC has already established a [public list of election officials](#) and has used the platform to inform thousands of people about program activities. Primarily it has been most useful as a tool to rapidly deliver information and updates about the voting system certification program.
- [#BReady2012](#): The Twitter hashtag hosted and created by EAC. A place for election officials and the public to gather and discuss preparation for the next federal election.
- [Outreach & Training](#): EAC Communications and Clearinghouse staff delivers communications presentations to election officials and the public, including the Electronic Verification Network, the Ohio Association of Election Officials and the National Conference of State Legislatures.

### Preparing for the 2012 Elections: The Roundtable Series of Public Discussions

In Fiscal Year 2011, EAC hosted a series of public roundtable discussions about topics and initiatives in preparation for 2012 federal election cycle. The roundtable discussions were webcast live and featured a live Twitterfall. Questions and comments were taken from the public through the webcasts. Participants included election officials and subject experts who provided real world solutions to the issues facing election officials and voters as we prepare for next year's elections.

- [Contingency Planning in Elections \(Sept. 20, 2011\)](#): In conjunction with National Preparedness Month, EAC hosted a discussion about contingency planning solutions and strategies to prevent or minimize interruptions in voting during an emergency. Participants included the Federal Emergency Management Agency, the American Red Cross and election officials.
- [Design Counts in Elections \(August 11, 2011\)](#): To take the guess work out of designing ballots and polling place signs. Incorporating simple design principles come with few



costs yet yield huge benefits for the American electorate. Participants discussed best practices in ballot and polling place design, which contributes to a voter's positive experience and ensures that the process is accessible and convenient to the widest possible audience.

- [Voting Goes Viral: Using New Media to Manage an Election and Communicate with Voters \(June 17, 2011\)](#): Participants discussed the basic premise of social media outlets, including an overview about demographics, trends and the overall culture. Journalists offered their perspective about how they use social media as a reporting tool, and election officials will discuss their experiences. Participants included journalists, election officials and social media experts.
- [The Life Cycle of Voting Machines \(May 5, 2011\)](#): In the years 2002-2005, there was an unprecedented surge in the acquisition and deployment of voting systems. States are facing the challenge of managing aging systems, and the discussion focused on the sustainability of the nation's voting systems. Participants included election officials and voting system manufacturers.

**Strategic Plan Goal 2: Deliver and manage Federal funds effectively.**

Outcome: States and other recipients promptly and accurately receive Federal funds administered by EAC and use the funds appropriately to improve the administration of elections for Federal office.

Goal 2 is administered by the Grants Management division and the Office of the Inspector General.

**Goal 2 FY 2011 Accomplishments**

Section 251 funds were included in the Election Reform Programs no-year appropriation. Congress appropriated \$115 million in FY 2008, \$100 million in FY 2009 and \$70 million in FY 2010. In FY 2011, EAC paid \$30,032,325 from the FY 2008 appropriation, \$38,299,071 from the FY 2009 appropriation and \$26,888,473 from the FY 2010 appropriation. These funds were requested by the States by September 30, 2011. The funds are distributed according to a formula based on the voting age population of the State per the last Census and the total voting age population of all States. In order to draw the funds, the States certify that they are in compliance with applicable laws and requirements per HAVA Section 253(b).

A State may use requirements payments to carry out activities to improve the administration of elections for Federal office outside of the activities listed under HAVA Title III if the State certifies that the State has implemented the requirements of Title III, or the amount it will spend on other activities will not exceed an amount equal to the minimum payment amount applicable to the State under section 252. Title III includes voting system standards, voting information requirements, provisional voting, statewide voter registration lists, and identification requirements for voters who register by mail. States may also use requirements payments to improve the administration of Federal elections. Each year, EAC reports to Congress on how the States have spent HAVA funds.

The College Poll Worker grants are authorized under HAVA Section 501. To date, EAC has awarded 89 grants totaling \$3.1 million to recruit and train college poll workers since the College Program was established in 2004.

EAC awarded no new College Poll Worker grants in FY 2011, but continued to monitor and work with the 2009 and 2010 grantees to help them carry out successful programs. The 2009 College Poll Worker grants are two-year awards and the 2010 College Poll Worker grants are three-year awards. Part of EAC's efforts included coordinated a series of teleconferences based on areas of interest found during the review of narrative reports. The series recognized that developing a College Poll Worker Program that meets its objectives can be a challenge without the support of many different factions including; schools, administrators, students and the community. The three teleconferences focused on *Teacher and School Administration Involvement, Sustainability Post Grant* and *Outreach Efforts for Community Involvement*.

The Mock Election Program grants are authorized under HAVA Section 295. To date, EAC has awarded over 25 grants totaling \$998,820 to organizations under this program since the Mock Election program was established in 2004. The grants allow students to become familiar with voting processes and technologies so that when they become eligible to vote they will be more comfortable with their civic duties.

EAC awarded no new Mock Election Program grants in FY 2011, but continued to monitor and work with the 2009 and 2010 grantees to help them carry out successful programs. The 2009 Mock Election Program grants are two-year awards and the 2010 Mock Election Program grants are three-year awards. EAC also conducted a series of teleconferences based on areas of interest found during the review of narrative reports for Mock Election Program grantees. Developing a Mock Election Program that meets its objectives can be a challenge without the support of schools, administrators, students and the community. The three teleconferences focused on *Teacher and School Administrative Involvement, Sustainability Post Grant* and *Outreach Efforts for Community Involvement*.

The purpose of the Voting System Pre-Election Logic and Accuracy Testing (L&A) and Post-Election Audit Initiative is to develop and document processes and best practices for coordinating quality and cost-effective A) voting system pre-election L&A testing and B) post-election audits. Outcomes will include tool kits, guides, best practices, research findings and recommendations that could be disseminated widely within the election community. In FY 2011, EAC awarded \$1,463,074 to 12 award recipients.

**FY 2011 Pre-Election Logic and Accuracy Testing & Post-Election Audit Initiative Grant Recipients**

*California Secretary of State, Sacramento, CA (Audit)*

*Orange County Registrar of Voters; Santa Ana, CA (Audit)*

*County of Humboldt; Eureka, CA (Audit)*

*County of Santa Cruz, CA; Santa Cruz, CA (Blended L&A and Audit)*

*Colorado Department of State; Denver, CO (Audit)*

*State of Connecticut, Secretary of the State; Hartford, CT (Blended L&A and Audit)*

*Office of Cook County Clerk; Chicago, IL (Blended L&A and Audit)*

*State of Indiana, Secretary of State; Indianapolis, IN (Blended L&A and Audit)*

*City of Takoma Park; Takoma Park, MD (Audit)*

*County of Boone; Columbia, MO (L&A)*

*New York State Board of Elections; Albany, NY (Blended L&A and Audit)*

*Cuyahoga County Board of Elections; Cleveland, OH (Blended L&A and Audit)*

The purpose of the Accessible Voting Technology Initiative is to support research and development activities to increase the accessibility of new, existing, and emerging technological solutions in areas such as assistive technologies, interoperability, and the design of voting systems. Funding supports research for: 1) promising technologies and practices; 2) technology testing and adoption; and 3) development of administrative processes and training improvements to increase accessibility of existing voting procedures and election systems.

The funding notice announced the availability of \$7 million for this initiative. Although the notice indicated that one award would be made, the Staff Review Team, comprised of members from EAC, the National Institute of Standards and Technology (NIST), and the United States Access Board, recommended splitting the funding to issue two awards at reduced levels. EAC awarded \$4,500,000 to Clemson University in Clemson, SC and \$2,500,000 to the Information Technology and Innovation Foundation in Washington, DC.

**Strategic Plan Goal 3: Identify and develop information on areas of pressing concern regarding the administration of elections for Federal office and issue recommended improvements, guidance, translations, and best practices as required by HAVA, and carry out responsibilities under the National Voter Registration Act.**

Outcome: As a result of this goal: 1) the election community and other key stakeholders improve the administration of elections for Federal office on the bases of pertinent, impartial, timely, and high-quality information, recommendations, guides and other tools on election and voting issues and 2) eligible citizens use the mail voter registration application to register to vote, register with a political party, or report a change of name, address, or other information.

Goal 3 is administered by the Research, Policy and Programs division.

**Goal 3 FY 2011 Accomplishments**

*Research:*

In FY 2010, the Research, Policy and Programs (RPP) division developed a listing of potential research projects, policy and program initiatives including timelines, to guide staff work through 2012. Progress was made in FY 2011 toward completing several projects noted in the research schedule, many of which are mandated by HAVA and/or authorized by Congress. The list will continue to be revised in accordance with EAC and/or Congressional priorities.

Research efforts continued on the HAVA-mandated studies Recounts and Contests, and Use of Social Security Numbers for the Purpose of Voter Registration. A contractor was selected to begin work on another mandated study, Election Administration in Urban and Rural Settings. Work also continued on the 2010 Uniformed and Overseas Citizens Absentee Voting Act Report and the 2010 Election Administration and Voting Survey Report (release scheduled for FY 2012).

Research work completed in FY 2011 includes:

- Administering the 2010 Election Administration and Voting Survey to 50 States, the District of Columbia, and 4 territories.
- Reporting to Congress on the findings of the 2009-2010 Impact of the National Voter Registration Act of 1993 (released in June 2011).
- The 2010 Statutory Overview report, which is a recitation of States' election laws and procedures (released in May 2011).
- A first draft of the Recounts and Contests study.
- Selecting a contractor to collect and analyze data for the Election Administration in Urban and Rural Settings study.

*Policy:*

EAC, in accordance with HAVA, has responsibility to issue regulations to implement portions of the National Voter Registration Act of 1993 (NVRA) regarding the form and content of the national mail voter registration form and to submit a biennial report to Congress on the impact of the NVRA. EAC issued a Notice of Proposed Rulemaking (NPRM) to revise the NVRA regulations on August 9, 2010 and, in effort to reach out to as many stakeholders as possible, provided a public comment period of over 100 days ending on November 23, 2010. EAC held three public hearings on the NPRM from August through October, 2010.

During FY 2011 RPP Policy staff also received and processed State requests for modifications to the state-specific instructions on the National Mail Voter Registration Form.

EAC commenced work on voluntary guidance for provisional voting in FY 2011. EAC will conduct a survey of election officials in FY 2012 and consult with state election directors before issuing new guidance. EAC requires a quorum to move forward on policy decisions such as this.

*Programs:*

EAC program staff has begun the process of selecting Election Management Guidelines and Quick Start Guides to update. It is anticipated that three Election Management Guideline chapters and three Quick Start Guides will be updated and released in FY 2012 including one on military voters and citizens living overseas. Staff also has begun to prepare material for a new Quick Start Guide on “Military Heroes” based on the early findings of an FY 2011 grant administered by the EAC.

EAC program staff conducted three teleconferences with EAC College Poll Worker and Mock Election grantees to solicit feedback for updating the *Guidebook for Recruiting College Poll Workers*. An update to EAC’s poll worker guidebooks will be completed before the 2012 presidential election.

The RPP Division also completed a revision of *A Voter’s Guide to Federal Elections* in anticipation of the 2012 election. The updated Voter’s Guide was translated into nine languages in addition to English: Chinese, Cherokee, Dakota, Japanese, Korean, Spanish, Tagalog, Vietnamese, and Yu’Pik. The Office of Citizenship of the U.S. Citizenship and Immigration Services complemented EAC’s distribution of *A Voter’s Guide* by providing over 700,000 copies to new citizens.

The Language Accessibility Program worked to meet its strategic goal of assisting election officials in meeting the needs of language minority voters by providing a searchable online version of the *Glossaries of Election Terminology* on EAC’s website. The searchable database format can be accessed by the general public, including a voter or election official, at [www.eac.gov/glossary/default.aspx](http://www.eac.gov/glossary/default.aspx).

**Strategic Plan Goal 4: Build public confidence in elections by testing and certifying voting systems to improve system security, operation and accessibility.**

Outcome: Voting equipment operates more reliably and securely and is more accessible to the disabled. States use the EAC testing and certification program to ensure voting systems meet standards.

Goal 4 is administered by the Voting System Testing and Certification (T&C) division.

**Goal 4 FY 2011 Accomplishments**

In FY 2011 in the area of voting system certification, EAC:

- Certified one full system, ES&S Unity 3.2.1.0, and one modification, Unisyn 1.01.
- Ongoing testing during FY 2011 for eleven voting systems or system modifications.
- Held a meeting with Dominion Voting Systems and Wyle Labs to familiarize all parties with the Dominion ICE system being tested at Wyle.
- Developed timelines for ES&S Unity 5.0 and Dominion Test campaigns.

## Election Assistance Commission

- Issued requests for information regarding the Unity 3.2.0.0 investigation to Wyle Labs, Cuyahoga County, iBeta Quality Assurance and ES&S.
- Met with SLI and Hart InterCivic in Denver in May regarding current testing for the State of Oklahoma and the ability for this testing to be used in an upcoming Federal testing campaign for Hart.

To promote the Uniformed and Overseas Citizens Absentee Voting Act (UOCAVA), EAC:

- Developed and forwarded the UOCAVA Pilot Program Testable Requirements document to NIST and TGDC.
- Completed the *UOCAVA Registration and Voting Process* white paper.
- Attended the Federal Voting Assistance Program (FVAP) meeting on Internet Voting and USENIX/EVoting in San Francisco in August.
- Met with NIST and FVAP in September to discuss options for an FVAP- run competition to solicit system architecture for a UOCAVA internet voting demonstration project.
- Published *A Survey of Internet Voting*.

In the area of Voluntary Voting System Guidelines (VVSG) and Test Suites, in FY 2011, EAC:

- Performed ongoing work with the National Institute of Standards and Technology (NIST) to complete revision to VVSG 1.1 Draft.
- Held a two-hour session immediately prior to opening of the National Association of State Election Directors (NASSED) meeting on the subject, “Are All VVSG Requirements Created Equal?”
- Held a test Suite meeting with Wyle, SLI and NIST’s National Voluntary Laboratory Accreditation Program (NVLAP) at Wyle Labs in Huntsville, AL in June.
- Participated in the Technical Guidelines Development Committee (TGDC) meeting at NIST in July.

Regarding laboratory accreditation in FY 2011, EAC participated in the SLI Global NVLAP audit January 31-February 2, 2011.

Further, in FY 2011, EAC:

- Observed the use of the ES&S DS200s in New York City during the November 2nd General Election and the use of DS200s in Cuyahoga County, OH during the November 2<sup>nd</sup> General Election.
- Held roundtable discussions regarding 2010 election and preparations for 2012; Commercially available Off-the-Shelf (COTS) software; and Life Cycle of a Voting System.
- Presented an overview of the EAC Pre-Election Logic & Accuracy and Post Election Audit Grant and the 2010 Accessible Technology Initiative Grant at the Council on Governmental Ethics Laws (COGEL) meeting in December in Washington, DC.
- Reviewed installation of Cuyahoga County, Ohio system fixes by ES&S in June.
- Moderated a break-out session on voting system sustainability at the Election Center Conference in San Antonio in August.

- Participated in the State Certification meeting at the Center for Elections, Kennesaw, GA in September.

**Strategic Plan Goal 5 consists of one clear-cut objective: Implement a high performance organization.**

Goal 5 is administered by the Commissioners, the Standards Board, the Board of Advisors, the Technical Guidelines Development Committee, Executive Director, Chief Operating Officer and Chief Financial Officer with support from the Offices of the General Counsel and Administration.

| Key Performance Measures |  |
|--------------------------|--|
| ○                        | Implement 90 percent of the OIG audit recommendations within agreed upon timeframes. |
| ○                        | Meet annual performance measures.  |

Each month, EAC reports to the Chair and Ranking Member of the House Subcommittee on Elections, Committee on House Administration on the status of 82 OIG audit recommendations made as of March 2008. To date, only two of the 82 recommendations remain open. The two open recommendations require a quorum of the Commission for final resolution.

On the performance measure regarding meeting annual performance measures, management is working to foster a culture of accountability among staff. The agency was successful in improving staff satisfaction ratings on the 2010 annual employee survey. Agency directors responsible for implementation of the EAC Strategic Plan goals report on their division metrics in the Agency Financial Report in November, the Annual Performance Report along with the Congressional Budget Justification in February, and on planned metrics in the OMB Budget Justification each September.

EAC financial staff complete assessable unit risk assessment questionnaires and individual letters of assurance. The directors' letters of assurance are rolled into the CFO's Annual Statement of Assurance.

EAC will continue to focus on resolution of issues identified in audits, setting up sound systems and policies and procedures, working with managers on the relationship between budget and performance, maximizing use of staff and financial resources, and training EAC staff on financial management processes and their responsibilities.

**Performance Data Collection and Validation**

Managing for results and producing an Annual Performance Plan requires valid, reliable and high-quality performance measures and data. EAC is committed to the continuous improvement of its performance and financial management data. To this end, EAC verifies mandatory source documentation, and documentation of calculation methodology for performance indicators to provide reasonable assurance that the reported programmatic performance data is relevant and reliable.

## Summary Performance Information

By program, summary performance information for FY 2011 is as follows:

*Communications & Clearinghouse* -- built [The Election Official Exchange](#); revamped the eac.gov search tool; added [Events finder](#) to the website for a more comprehensive presentation of all EAC public events; provided [Customized program updates](#) so the public can customize the kind of information and the frequency that it is delivered via EAC's newsletter and automatic program updates; initiated [The EAC Blog](#), [@EACgov on Twitter](#), and [#BReady2012](#); and offered a series of public roundtable discussions [Design Counts in Elections](#), [Voting Goes Viral: Using New Media to Manage an Election and Communicate with Voters](#), and [Contingency Planning in Elections](#), and [The Life Cycle of Voting Machines](#).

*Grants Management* -- awarded two grants totaling \$7 million for the Accessible Voting Technology Initiative; awarded \$1,463,074 to 12 grantees for the Voting System Pre-Election Logic and Accuracy Testing & Post-Election Audit Initiative; paid \$96,504,962 to the States for Section 251 Requirements Payments; reported to Congress on how the States have spent HAVA funds; and coordinated a series of teleconferences for the College Poll Worker and Mock Election Programs focused on *Teacher and School Administration Involvement*, *Sustainability Post Grant* and *Outreach Efforts for Community Involvement*.

*Research, Policy and Programs* -- administered the 2010 Election Administration and Voting Survey; reported to Congress on the findings of the 2009-2010 Impact of the National Voter Registration Act (NVRA) of 1993; released the 2010 Statutory Overview report on States' election laws; completed the final public hearing on a Notice of Proposed Rulemaking to revise the NVRA regulations; received and processed State requests for modifications to the state-specific instructions on the National Mail Voter Registration Form; revised *A Voter's Guide to Federal Elections* and translated it into nine languages; and produced a searchable online version of the *Glossaries of Election Terminology*.

*Voting Systems Testing and Certification* -- Certified one full voting system and one system modification; initiated a formal voting system investigation; performed testing for eleven voting systems or system modifications; completed the *Uniformed and Overseas Citizens Absentee Voting Act (UOCAVA) Registration and Voting Process* white paper; published *A Survey of Internet Voting*; performed ongoing work with the National Institute of Standards and Technology (NIST) to complete revision to Voluntary Voting System Guidelines 1.1 Draft; participated in a National Voluntary Laboratory Accreditation Program audit; and held roundtable discussions regarding 2010 elections and preparations for 2012; Commercially available Off-the-Shelf (COTS) software; and Life Cycle of a Voting System.

## Program Performance Indicators

The following table presents key EAC FY 2011 program performance data. As much detailed performance information as possible will be presented, and variances discussed, in the FY 2011 Annual Performance Report due February 15, 2012 along with the FY 2013 Congressional Justification.



EAC FY 2011 Performance Summary

| Program                                       | Performance Indicator  | Type of Indicator | Planned      | Actual   |
|---|--|-------------------|--------------|--|
| <b>Strategic Goal 1: Communicate</b>          |  |                   |              |  |
|   | Issue Clearinghouse policy   | Output            | Final        | In Final Draft (quorum required for final approval)  |
|   | Issue Policies/Procedures to process requests from outside EAC   | Output            | Final        | In Final Draft   |
|   | Distribute at least one email update per month to stakeholders   | Output            | 12           | 50   |
|   | Identify technologies and other communication opportunities that will ensure rapid delivery of information.  | Output            | EAC Blog     | Launched EAC blog and Twitter account  |
| <b>Strategic Goal 2: Fund and Oversee</b>     |  |                   |              |  |
|   | Award grants within established timeframes.  | Output            | 100%         | 100% of requirements payments and no year discretionary grants (Disability, 1 <sup>st</sup> round L&A) |
|   | Resolve 100 percent of audit findings within established time frames.  | Output            | 100%         | No overdue management decisions as of 9/30/11  |
|   | Negotiate indirect cost rates within 30 days of receipt of acceptable indirect cost proposals.   | Output            | 100%         | Submit requests for negotiation to HHS upon receipt  |
| <b>Strategic Goal 3: Study, Guide, Assist</b> |  |                   |              |  |
|   | Establish, in Fiscal Year 2010, a baseline for measuring stakeholder use of EAC research and educational products to improve the administration of elections for Federal office. In subsequent years, increase the percentage of stakeholder use of EAC research products. | Output            | Baseline 50% | 65%  |
|   | Disseminate all completed research project reports to stakeholders.  | Output            | 100%         | 100%   |
| <b>Strategic Goal 4: Test and Certify</b>     |  |                   |              |  |
|   | Complete accreditation reviews for all laboratories recommended to EAC by NIST and for all emergency actions within 90 days.   | Output            | 75%          | 75%  |
|   | Plan to conduct field reviews for at least 50 percent of jurisdictions that volunteer for reviews.   | Output            | 50%          | 100%   |

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. The purpose of the Data Collection grants of \$2.0 million each to five States was to measure the costs of improving the collection of election data at the precinct level during the 2008 Federal election. In FY 2011, the Salaries and Expenses appropriation of \$16.3 million funded a \$3.25 million transfer to

NIST, staff salaries and benefits, travel, rent and telecommunications, printing, contracts, supplies and equipment.

**I.C. FINANCIAL RESULTS**

This analysis is intended to help readers understand EAC’s financial results, position and condition as portrayed in the financial statements and notes to the statements. It explains changes in assets, liabilities, costs, revenues, obligations, and outlays; includes comparisons of FY 2011 to FY 2010; and discusses the relevance of balances and amounts in the financial statements and notes. The changes are discussed in the context of whether the year’s activities improved or deteriorated the agency’s financial position.

**Budgetary Resources**

Budgetary resources are the amounts available to enter into new obligations and to liquidate them. The majority of EAC’s available budgetary resources are for Requirements Payments in the Election Reform Program appropriation. Budgetary resources include new Budget Authority from appropriations and unobligated balances of Budget Authority provided in previous years in the no year Election Reform Program account. For FY 2011, the available budgetary resources were \$32.3 million, a drop of 68.9% or \$71.3 million from FY 2010. A decrease in appropriations received in FY 2011 resulted in this change.

In FY 2011, EAC’s appropriations totaled \$16.3 million, a reduction of \$76.7 million from FY 2010. Requirements Payments appropriations were reduced \$70.0 million, other grant programs were reduced \$5.0 million, and EAC’s operational appropriation was reduced by \$1.7 million.

In FY 2008, EAC recorded \$50.7 million of unspent HAVA Section 102 payments paid to the States in FY 2003 and FY 2004. These funds were originally disbursed by the General Services Administration (GSA) acting as Administrator. Any funds remaining unspent as of November 1, 2011, have returned or are in the process of being returned to EAC to be disbursed as HAVA Section 251 payments.

The status of available budgetary resources as represented in the 2011 and 2010 Statement of Budgetary Resources is as follows:

| Budgetary Resources                 | 2011                       | 2010                        | Difference                 | %<br>Change          |
|-------------------------------------|----------------------------|-----------------------------|----------------------------|----------------------|
| Obligations Incurred                | \$19,833,778               | \$ 86,303,814               | -\$66,470,036              | -77.0%               |
| Unobligated Balance – Apportioned   | 5,636,700                  | 12,046,897                  | -6,410,197                 | -53.2%               |
| Unobligated Balance – Not Available | 6,788,338                  | 5,246,828                   | 1,541,560                  | 29.4%                |
| <b>Total</b>                        | <b><u>\$32,258,816</u></b> | <b><u>\$103,597,539</u></b> | <b><u>\$71,338,723</u></b> | <b><u>-68.9%</u></b> |

Obligations Incurred decreased \$66.5 million from FY 2010 to FY 2011 primarily as a result of the disbursement of FYs 2008-2010 Requirements Payments and the reduction in the annual appropriation for Requirements Payments in FY 2011. Unobligated Balance – Apportioned

decreased \$6.4 million due to award of disability research technology and pre-election logic and accuracy testing and post-election verification grants in FY 2011.

**Financial Position**

Assets

EAC had \$47.9 million in total assets as of September 30, 2011. This is a decrease of \$96.6 million from FY 2010 largely as a result of disbursements of Requirements Payments from FYs 2008-2010. EAC did not receive additional appropriations in FY 2011 for Requirements Payments. As of September 30, 2011, \$28.2 million in FY 2010 Requirements Payments, \$38.3 million in FY 2009 Requirements Payments, and \$30.0 million in FY 2008 Requirements Payments were disbursed in FY 2011.

Advances and Prepayments decreased approximately \$2.0 million in FY 2011 resulting in a balance of \$1.4 million as of September 30, 2011. In FY 2008, EAC recorded \$50.7 million in HAVA Section 102 Advances to the States still unspent as of September 30, 2008, and an unspent balance of \$34.7 million as of September 30, 2009. In FY 2010, that number was reduced to \$3.4 million. In FY 2011, \$96.5 million was disbursed to the States. Summary asset data is presented below:

| <b>Assets</b>              |                            |                             |                             |                 |
|----------------------------|----------------------------|-----------------------------|-----------------------------|-----------------|
|                            | <u>FY 2011</u>             | <u>FY 2010</u>              | <u>Difference</u>           | <u>% Change</u> |
| Fund Balance with Treasury | \$45,153,024               | \$139,669,928               | -\$94,516,904               | -67.7%          |
| Advances and Prepayments   | 1,406,389                  | 3,375,688                   | -1,969,299                  | -58.3%          |
| Other Assets               | 1,343,517                  | 1,401,329                   | -57,812                     | -4.1%           |
| <b>Total</b>               | <b><u>\$47,902,930</u></b> | <b><u>\$144,476,945</u></b> | <b><u>-\$96,574,015</u></b> | <b>-66.8%</b>   |

Liabilities

EAC had total liabilities of \$2.2 million as of September 30, 2011. This is a \$0.4 million increase from FY 2010. Accounts Payables increased \$0.7 million in FY 2011. As of September 30, 2011, EAC had received 22 completed certifications from the States for Requirements Payments totaling \$96.5 million. As of September 30, 2011, all Requirements Payments due had been disbursed and no accrual was recorded.

| <b>Liabilities</b>           |                           |                           |                         |                 |
|------------------------------|---------------------------|---------------------------|-------------------------|-----------------|
|                              | <u>FY 2011</u>            | <u>FY 2010</u>            | <u>Difference</u>       | <u>% Change</u> |
| Accounts Payables            | \$1,783,211               | \$1,087,876               | \$695,335               | 63.9%           |
| Accrued Payroll and Benefits | 127,046                   | 380,928                   | -253,882                | -66.6%          |
| Unfunded Leave               | 293,961                   | 327,803                   | -33,842                 | -10.3%          |
| <b>Total</b>                 | <b><u>\$2,204,218</u></b> | <b><u>\$1,796,607</u></b> | <b><u>\$407,611</u></b> | <b>22.7%</b>    |

Net Position

Net position, which is the sum of Unexpended Appropriations and Cumulative Results of Operations, decreased in FY 2011 by \$97.0 million. Unexpended Appropriations decreased \$97.2 million from FY 2010 to FY 2011, primarily due to expenditure of \$96.5 million in Requirements Payments. Cumulative Results of Operations is the accumulated difference between expenditures and financing sources since the inception of the agency.

| <b>Net Position</b>              |                     |                      |                      |                 |
|----------------------------------|---------------------|----------------------|----------------------|-----------------|
|                                  | <u>FY 2011</u>      | <u>FY 2010</u>       | <u>Difference</u>    | <u>% Change</u> |
| Unexpended Appropriations        | \$44,650,213        | \$141,834,143        | -\$97,183,930        | 68.5%           |
| Cumulative Results of Operations | 1,048,499           | 846,195              | 202,304              | -23.9%          |
| <b>Total</b>                     | <b>\$45,698,712</b> | <b>\$142,680,338</b> | <b>-\$96,981,626</b> | <b>68.0%</b>    |

**Results of Operations**

The EAC, as presented in its Statement of Net Costs, reports its results of operations within four programs: Communications and Clearinghouse, Fund and Oversee, Research, Policy and Programs, and Testing and Certification. Costs specifically identified with each of these programs such as assigned personnel costs and specific program contract costs are allocated to the program directly. The Fund and Oversee program reports the expenditures for the Requirements Payments and the other EAC grants. In years in which EAC receives significant appropriation for these HAVA funds, this program, Fund and Oversee, typically exceeds the other programs in overall costs. Other general agency overhead costs such as rent, human resource costs and financial management costs are allocated on either a per employee basis or a percent of overall costs method. This methodology is outlined in EAC’s Cost Allocation Model and is reviewed each year to ensure the accurate allocation of expenses to each program.

Total Net Cost of Operations for the EAC was \$108.6 million for Fiscal Year 2011. This was an overall decrease from FY 2010 of \$22.4 million. Net Cost of Operations in FY 2011 consists of general salaries and other expenses totaling \$12.8 million and grant and Requirements Payments of \$95.8 million. Net Cost of Operations for FY 2010 consisted of \$12.8 million in general salaries and expenses and \$118.2 million in grant and Requirements Payments.

| <b>Results of Operations by Program</b> |                      |                      |                      |                 |
|---|----------------------|----------------------|----------------------|-----------------|
|   | <u>FY 2011</u>       | <u>FY 2010</u>       | <u>Difference</u>    | <u>% Change</u> |
| Communications and Clearinghouse        | \$ 2,011,063         | \$ 1,797,916         | \$ 213,147           | 11.9%           |
| Fund and Oversee                        | 100,376,323          | 122,834,439          | -22,458,116          | -18.3%          |
| Research, Policy and Programs           | 2,971,090            | 2,845,652            | 125,438              | 4.4%            |
| Testing and Certification               | 3,255,161            | 3,531,576            | -276,415             | -7.83%          |
| <b>Total</b>                            | <b>\$108,613,637</b> | <b>\$131,009,583</b> | <b>-\$22,395,946</b> | <b>-17.1%</b>   |

## **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.C. 3515(b). While the statements have been prepared from the books and records of the entity 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, which are prepared from the same books and records.

The statements should be read with the realization 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 that reasonably ensure: 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 operations activities are in compliance with laws and regulations; and 5) reliable, complete and timely data are maintained and used for decision-making.

The agency used controls that ensure that transactions are executed in accordance with budgetary and financial laws and other requirements, consistent with the purposes authorized, and are recorded in accordance with Federal accounting standards. EAC ensures that assets are properly acquired and used, safeguarded to deter theft, accidental loss or unauthorized disposition, and fraud.

Laws that help 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 the internal control (FMFIA Section 2) and financial management systems (FMFIA Section 4) that protect the integrity of Federal programs.

During FY 2008, the EAC evaluation was limited to identifying weaknesses disclosed in reports issued by the General Accountability Office and by the EAC Office of the Inspector General, including the weaknesses identified through the year’s financial statement audit. Since FY 2009, EAC has incorporated the results of self-assessments of financial management internal controls to further demonstrate evaluation of internal controls.

A material weakness was identified by management in FYs 2008 and 2009 concerning EAC’s lack of effective written policies and procedures in the areas of property, personnel, records management, mail management, physical security, travel, information technology, research, and communications and clearinghouse. Travel, information technology, and research handbooks were finalized in FY 2010. The remaining handbooks are in draft, one is undergoing legal review and two are planned to be finalized once EAC has a quorum of Commissioners. The following chart shows FYs 2010 and 2011 planned corrective actions compared to actual completion dates.

| <b>Corrective Actions</b>  | <b>Target Completion Date</b> | <b>Actual Completion Date</b> |
|--|-------------------------------|-------------------------------|
| Develop a detailed HR Manual containing all necessary procedures.                                  | 11/30/11                      | 10/24/11                      |
| Finalize Communications and Clearinghouse Policy and National Voter Registration Act revised rules | Once a quorum is in place     | Pending                       |

The auditors identified one new material weakness dealing with internal controls over financial reporting in FY 2011. EAC will work with the current or an alternative service provider to ensure internal controls over financial reporting are strong.

Table 1 presents the material weaknesses identified by management for FY 2011 as beginning balances. Ending balances reflect status after resolution of findings as of September 30, 2011.

**TABLE 1**

| <b>EFFECTIVENESS OF INTERNAL CONTROL OVER OPERATIONS (FMFIA § 2)</b> |   |                   |          |          |              |                |
|--|---|-------------------|----------|----------|--------------|----------------|
|  | Statement of Assurance                    | Unqualified       |          |          |              |                |
| No.  | Material Weaknesses                       | Beginning Balance | New      | Resolved | Consolidated | Ending Balance |
| 1  | Lack of Policies & Procedures             | 1                 | 0        | 0        | 0            | 1              |
| 2  | Internal Control over Financial Reporting | 0                 | 1        |          |              | 1              |
|  | <b>TOTAL WEAKNESSES</b>                   | <b>1</b>          | <b>1</b> | <b>0</b> | <b>0</b>     | <b>2</b>       |

During FY 2009, EAC began the process of designing, implementing, and assessing internal controls in full compliance with Office of Management and Budget Circular A-123, *Management's Responsibility for Internal Control*, and FFMIA. A-123 requires the managers of Federal agencies to take responsibility for assessing internal controls over financial reporting. EAC contracted for independent review of the key business processes impacting financial operations and the financial statements, and business processes with no material impact on the financial statements but which have some potential for risk or exposure for the agency.

In December 2009 and April 2010, EAC conducted agency-wide internal control training, emphasizing identification of risks to accomplishment of the agency's mission and program results.

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

EAC recognizes that effective security management is critical to EAC's mission. The ability to ensure confidentiality, integrity, and availability of its information assets is essential to minimizing risks of inadvertent or deliberate misuse, fraud or destruction. There were no deficiencies for a beginning balance, and no deficiencies were identified in FY 2011.

During FY 2011, EAC initiated work on an information technology (IT) modernization project to enhance the agency's network infrastructure. As part of the agency's effort to improve IT services, EAC refreshed aging laptop workstations with high-performance desktop workstations as well as upgrading to Microsoft Office 2007 from Office 2003. The agency migrated from LOTUS Notes email messaging to Microsoft Exchange server 2010 with Outlook 2007 as email client.

EAC implemented its own self-contained system recovery backup solution to protect mission-critical data against system downtime and for disaster recovery purposes. To ensure internal security, EAC applied additional access controls including an intrusion detection appliance.

Further, EAC began work on an upgrade of the telephone system to a menu-driven interactive voice response (IVR) system. The main switch number uses a telephone menu to direct callers to Commissioners, program offices, internal departments as well as voter contact information for State voter information lines during elections. To improve internal and external communication, EAC began work on a unified messaging for Voice over IP (VOIP) phone system that allows users to access voicemail electronic messaging via email, custom auto-attendant, call forwarding and audio conferencing at anytime from any location. Moreover, EAC improved its continuous monitoring capability by using Asset management and IT service desk utilities.

The FY 2011 Federal Information Security Management Act (FISMA) evaluation report found that EAC has taken actions to address the majority of the serious problems noted in the FY 2010 FISMA evaluation report. Table 2 below summarizes EAC's level of compliance in each FISMA control area in the FY 2011 FISMA evaluation. There were no findings of "not in substantial compliance."

**TABLE 2**

| CONTROL REQUIREMENT  | Compliance Determination   |
|--|--|
| Contingency planning for EAC was not in full compliance with FISMA because the recently-completed plan had not yet undergone testing.                            | EAC officials took action to correct this problem.   |
| Develop and publish a “routine use” policy dealing with breach of security relating to PII data, including actions taken for individuals affected by the breach. | EAC officials took action to correct this problem.   |
| Conduct privacy impact assessments for electronic information systems and collections and, in general, make them publicly available.                             | EAC analyzed its Personal Identification Information systems and published System of Record Notices in 2011, and determined that none of the agency’s systems required PIA to be issued. We concurred in this termination. |

The FY 2011 FISMA audit found that EAC was in substantial compliance with FISMA requirements. Specifically, it was noted that EAC had established sufficient policies and procedures relating to its IT security program to address identified risks; implemented actions to address prior concerns relating to meeting Privacy Act requirements; established a continuous monitoring program that substantially addressed all NIST requirements; provided annual security awareness training and specialized training to its IT specialists; developed and tested a contingency plan; and had established required access controls sufficient to meet identified risks.

**Audit Follow-Up**

EAC’s Office of 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. OCFO tracks the completion of the audit recommendations in a Monthly Audit Recommendation Tracking Report. The report is carefully reviewed by EAC and is submitted each month to Congressional Oversight staff. As of September 30, 2011, EAC has three open findings to resolve. EAC made improvements in all Agency management challenges. 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. 07-04 “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 2011 financial statement audit report identified one material weakness in internal control over financial reporting and one significant deficiency. It did not identify areas of noncompliance.



**Federal Information Security Management Act**

EAC was in compliance with the Federal Information Security Management Act at the end of FY 2011.

**Inspector General Act Amendments of 1988**

The EAC Office of the IG audits HAVA funds administered by recipients of HAVA grants and transmits to EAC single audit reports that present findings on HAVA funds. The principal recipients of HAVA grant funds are State governments. In FY 2011, EAC resolved audit reports issued by the IG for Iowa, Florida, Rhode Island, California, Arkansas, Montana, Connecticut, West Virginia, Louisiana, and New York. In FY 2011, EAC also resolved Single Audit Act findings for the States of New York, New Mexico, New Jersey and West Virginia.

EAC requested the IG to audit the two grants issued in 2006 to Project Vote under the Help America Vote College Program. Even though Project Vote submitted final progress reports and maintained that the work outlined in the grants was successfully completed, they were unable to locate any cost or accounting to support expenditures made under the grant awards. Accordingly, EAC disallowed \$33,750 and determined that this amount was to be repaid to EAC. EAC collected \$33,750 and resolved this audit in FY 2011.



**U.S. ELECTION ASSISTANCE COMMISSION**  
1201 New York Ave. NW – Suite 300  
Washington, DC 20005

November 15, 2011

### **Annual Assurance Statement on Internal Control**

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 Internal Control*. Internal control is an integral component of EAC's management that provides reasonable assurance 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 in the Office of the Chief Financial Officer (OCFO). With respect to assessing internal control designed to ensure the reliability of financial reporting, EAC is not required by OMB Circular A-123 to perform a separate assessment. 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 OCFO departmental risk assessments and letters of assurance over the accounting, budget, grants, procurement and overall OCFO functions. With respect to internal controls to ensure compliance with laws and regulations, the EAC relied upon the evaluation conducted by its independent auditors and the Inspector General.

In FY 2011, EAC worked to resolve one material weakness in the effectiveness of its internal control over operations: lack of effective written policies and procedures in the areas of Human Resources, Communications and Clearinghouse, and National Voter Registration Act regulations. EAC finalized Human Resources procedures as of this writing, and will work in FY 2012 to finalize the remaining policies and procedures once there is a quorum of Commissioners. The auditors found a material weakness and a significant deficiency in internal controls over financial management reporting. They found that the financial statements and supporting documentation were not provided in a timely manner. EAC will work with its financial management service provider to resolve the weakness.

Except for the material weakness described above, the Commission provides a qualified statement of assurance that the internal control and financial management systems meet the objectives of the Federal Managers' Financial Integrity Act.

A handwritten signature in black ink, appearing to read 'TRW'.

Thomas R. Wilkey

# SECTION II

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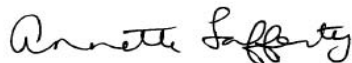
## Financial Section

### II.A. MESSAGE FROM THE CHIEF FINANCIAL OFFICER

I am pleased to present EAC's financial statements for FY 2011. Our financial statements are an integral component of the Agency Financial Report (AFR). This is the fourth year in its eight year operational existence that EAC has prepared financial statements and submitted them for audit. EAC has worked diligently toward unqualified opinions on the last three financial statements.

This is the third year EAC is participating in the pilot performance reporting project as described in OMB Circular A-136 *Financial Reporting Requirements*, presenting an Agency Financial Report in place of the Performance and Accountability Report. EAC presents summarized performance data in this report, and will provide detailed data in February 2012 in conjunction with the Fiscal Year (FY) 2013 Congressional Justification.

During FY 2011, EAC worked on written policies and procedures in the areas of general administration, travel, and information technology to resolve one material weakness in the effectiveness of its internal control over operations.



Annette Lafferty  
Chief Financial Officer  
November 15, 2011

II.B. INSPECTOR GENERAL'S ASSESSMENT



U.S. ELECTION ASSISTANCE COMMISSION  
OFFICE OF INSPECTOR GENERAL  
1201 New York Ave. NW - Suite 300  
Washington, DC 20005

November 15, 2011

To: The Commission  
From: Curtis W. Crider *Curtis W. Crider*  
Inspector General, U.S. Election Assistance Commission  
Subject: Audit of the U.S. Election Assistance Commission's Fiscal Year 2011  
and 2010 Financial Statements.

This memorandum transmits Leon Snead & Co P.C.'s financial statement audit report of the U.S. Election Assistance Commission (EAC) for the Fiscal Years 2011 and 2010.

**Results of Independent Audit**

The Chief Financial Officer's (CFO) Act of 1990 (P.L. 101-576), as amended, requires EAC Inspector General or an independent external auditor, as determined by the Inspector General, to audit EAC's financial statements. Under a contract monitored by the Office of Inspector General (OIG), Leon Snead & Co. P.C., an independent public accounting firm, performed an audit of EAC's Fiscal Years 2010 and 2009 financial statements. The contract required that the audit be performed in accordance with the Government Auditing Standards issued by the Comptroller General of the United States, and Bulletin 07-04, *Audit Requirements of Federal Financial Statements*, as amended, issued by the United States Office of Management and Budget (OMB).

Leon Snead & Co. P.C. issued an unqualified opinion on EACS's financial statements. In its report, Leon Snead & Co. P.C. identified one material weakness in internal control relating to EAC's monitoring of its service provider processes, and one significant deficiency relating to lack of funds control over continuing resolution funding.

Leon Snead & Co. P.C. reported no instances of material noncompliance with laws and regulations to tested that is required to be reported under Government Auditing Standards and OMB Bulletin 07-04 (as amended).

EAC management's response, dated November 7, 2011, follows Leon Snead & Co. P.C.'s report.

**Evaluation of Leon Snead & Co. P.C.'s Audit Performance**

To fulfill our responsibilities under the CFO Act of 1990, as amended, and other related financial management requirements, the OIG:

- Reviewed Leon Snead & Co. P.C.'s approach and planning of the audit;
- Evaluated the qualification 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 Leon Snead & Co. P.C.'s audit report;
- Performed other procedures we deemed necessary; and
- Coordinated issuance of the audit report.

Leon Snead & Co. P.C. is responsible for the attached auditor's report dated November 14, 2011, and the conclusions expressed in the report. We do not express any opinion on EAC's financial statements or conclusions on the effectiveness of internal control, or compliance with laws and regulations.

**Report Distribution**

The Inspector General Act of 1978, as amended, requires semiannual reporting to Congress on all reports issued, actions taken to implement recommendation, and recommendations that have not been implemented. Therefore, we will include the information in the attached audit report in our next semiannual report to Congress. The distribution of this report is not restricted and copies are available for public inspection.

The Office of Inspector General appreciates the courtesies and cooperation EAC extended to Leon Snead & Co. P.C. and the OIG staff during the audit. If you, or your staff, have any questions, please contact me at (202) 566-3125.

Attachment

Copy to: Thomas Wilkey, Executive Director  
Annette Lafferty, Chief Financial Officer  
Alice Miller, Chief Operating Officer  
Mark Robins, General Counsel

II.C. INDEPENDENT AUDITORS' REPORT

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**U.S. ELECTION ASSISTANCE COMMISSION**

**Audit of Financial Statements**

As of and for the Years Ended  
September 30, 2011 and 2010

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**Submitted By**

**Leon Snead & Company, P.C.**  
*Certified Public Accountants & Management Consultants*

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LEON SNEAD  
& COMPANY, P.C.

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The Commission and Inspector General  
U.S. Election Assistance Commission

### Independent Auditor's Report

We have audited the accompanying balance sheets of the U.S. Election Assistance Commission (EAC), as of September 30, 2011, and 2010, and the related statements of net cost, changes in net position, and budgetary resources (financial statements) for the years then ended. The objective of our audit was to express an opinion on the fair presentation of those financial statements. In connection with our audit, we also considered the EAC's internal controls over financial reporting, and tested the EAC's compliance with certain provisions of applicable laws, regulations, contracts, and grant agreements that could have a direct and material effect on its financial statements.

#### SUMMARY

As stated in our opinion on the financial statements, we found that the EAC's financial statements, as of and for the years ended September 30, 2011 and 2010, are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America.

Our consideration of internal controls would not necessarily disclose all deficiencies in internal controls over financial reporting that might be material weaknesses under standards issued by the American Institute of Certified Public Accountants (AICPA). However, our testing of internal controls identified one material weakness in internal controls over financial reporting. Because of this weakness, we completed substantial additional audit testing, and performed other auditing procedures, as necessary, to ensure that the financial statements were fairly stated.

The results of our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements disclosed no material instances of noncompliance that are required to be reported herein under *Government Auditing Standards*, issued by the Comptroller General of the United States and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements* (as amended).

The following sections discuss in more detail our opinion on the EAC's financial statements, our consideration of the EAC's internal controls over financial reporting, our



tests of the EAC's compliance with certain provisions of applicable laws, regulations, contracts, and grant agreements, and management's and our responsibilities.

**OPINION ON THE FINANCIAL STATEMENTS**

We have audited the accompanying balance sheets of the EAC as of September 30, 2011 and 2010, and the related statements of net cost, changes in net position, and budgetary resources for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position, net cost, changes in net position, and budgetary resources of the EAC, as of and for the years ended September 30, 2011 and 2010, in conformity with accounting principles generally accepted in the United States of America.

The information in the Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America or OMB Circular A-136, *Financial Reporting Requirements*. We have applied certain limited procedures, which consisted principally of inquiries of EAC management regarding the methods of measurement and presentation of the supplementary information. We also ensured that the information was consistent with the financial statements. However, we did not audit the information and express no opinion on it. The Agency Financial Report, except for Management's Discussion and Analysis, is not a required part of the basic financial statements; therefore, such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

We inquired of EAC's management as to its methods for preparing Required Supplementary Stewardship Information (RSSI), and reviewed this information for consistency with the financial statements. The RSSI is not a required part of the basic financial statements and provides information on investments in nonfederal property, and research and development funding. However, our audit was not designed to express an opinion and, accordingly, we do not express an opinion on EAC's RSSI.

**INTERNAL CONTROLS OVER FINANCIAL REPORTING**

In planning and performing our audit of the financial statements of the EAC, as of and for the years ended September 30, 2011 and 2010, in accordance with auditing standards generally accepted in the United States of America, we considered the EAC's internal controls over financial reporting (internal controls) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the EAC's internal controls. Accordingly, we do not express an opinion on the effectiveness of the EAC's internal controls over financial reporting.

Because of inherent limitations in internal controls, including the possibility of management override of controls, misstatements, losses, or noncompliance may nevertheless occur and not be detected. A control deficiency 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 misstatements on a timely basis. A material weakness is a deficiency, or combination of significant deficiencies, in internal controls, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that is less severe than a material weakness, yet important enough to merit attention by those charged with governance of the EAC.

Our consideration of internal controls was for the limited purpose described in the first paragraph in this section of the report, and would not necessarily identify all deficiencies in internal controls that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal controls that we consider to be significant deficiencies. We consider the items related to finding one to be a material weakness.

#### **Findings and Recommendations**

##### **1. EAC Controls over Financial Reporting and Service Provider Processes Impacted 2011 Financial Statements**

Documentation needed to support the year-end financial statements was not timely provided, and numerous errors were identified in EAC's financial statements and footnotes. We attributed this problem to: (1) operational problems and errors made by the agency's accounting service provider; (2) the departure of a key EAC accounting official; and (3) the need for increased agency oversight over service provider operations. As a result, EAC has reduced assurance that the agency's internal controls over financial reporting are operating effectively. This represents a material weakness in internal controls over financial reporting.

OMB Circular A-136, *Financial Reporting Requirements*, provides that reporting entities should ensure that information in the financial statements is presented in accordance with generally accepted accounting principles for Federal entities and the requirements of this Circular. The Government Accountability Office, *Standards for Internal Control in the Federal Government*, provides that "...transactions should be promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from the initiation and authorization through its final classification in summary records. In addition, control activities help to ensure that all transactions are completely and accurately recorded. Internal controls and all transactions and other significant events need to be clearly documented, and the documentation should be readily available for examination."

Problems identified during our audit of EAC's financial statements are discussed below.

**a. Documentation Necessary to Support Financial Statements Not Provided Timely and/or Contained Errors**

EAC timely and accurately provided documentation and information to support its financial statements for our interim testing. However, for our tests of year-end financial statements, documentation necessary to support the financial statements and footnotes was frequently not provided timely, and some information provided did not initially support the financial statements or footnotes. Because of these problems, we completed substantial additional audit testing, and performed other auditing procedures, as necessary, to ensure that the financial statements were fairly stated.

EAC's service provider did not provide data critical to the completion of the audit in a timely manner. For example, an audit request for documentation showing how the service provider cross-walked general ledger information to the financial statements and footnotes was only provided after repeated requests and discussions with the Chief Financial Officer (CFO) and the Inspector General. Other data and documents that were not provided or not provided timely included: documentation supporting journal vouchers prepared by the service provider, account relationship tests, and completed, Financial Audit Manual (FAM) checklists that provide assurances that the financial statements were properly prepared. We also noted that some information provided directly by EAC personnel did not fully support certain grant disclosure amounts. For example, supporting grant disbursement records did not agree with the related footnote disclosure.

**b. Service Provider Posting Model Errors**

We identified posting model<sup>1</sup> errors in the service provider's accounting system that resulted in misclassifying capital assets as an operating expense, errors in posting a transfer of funds to another federal agency, and posting direct entries to equity accounts. We also noted another posting model error dealing with imputed costs that was only corrected after the error was identified by another client of the service provider. We attributed these problems to a weakness in internal controls processes at the service provider concerning review and approval of posting models that impact EAC operations. As a result, if the errors had not been detected by parties other than the service provider, EAC's financial statements could have been misstated.

As an example of the problems noted above, our analytical review identified the purchase of capital equipment totaling approximately \$121,000 that was

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<sup>1</sup> The basic standard posting logic for financial events across the Federal Government.

incorrectly processed by the service provider as an expense. We discussed this matter with EAC officials who advised that the service provider made an error in this posting model when performing some accounting system modifications.

**c. Journal Voucher Controls Need Strengthening**

Journal vouchers<sup>2</sup> (JV) initiated and processed by the service provider to the general ledger were not provided to EAC officials for review and approval, and/or necessary supporting documentation was not provided to EAC to enable a determination of the appropriateness of the entries. We attributed this problem, primarily, to the breakdown of control processes at the service provider as they were applied to EAC's JVs. As a result, EAC's financial statements and financial reports were at increased risk of misstatements.

We obtained the control procedures for processing JVs used by both the service provider and EAC. The service provider's procedures required that backup documentation be gathered to support the entries, that a supervisor review, initial and date the back-up documentation; and trial balances or queries should be obtained to ensure the journal voucher was processed correctly. None of the vouchers we tested met these control requirements.

Our audit found approximately 25 journal vouchers processed at the end of the fiscal year where EAC did not receive documentation to support the entries made, and did not review and approve the JVs. For the JVs where the EAC had supporting documentation, we selected 6 of 39 journal vouchers for detailed testing. For the JVs where documentation was not provided, we applied other auditing procedures to ensure that the postings met standard general ledger posting models.

For one of the JVs we tested, the entries were posted directly to the cumulative results of operations account. Although the amount of the adjustment was not material to the financial statements, the entry did not follow standard general ledger posting models which prohibit adjustments to equity accounts except during accounting period year-end closings.

We discussed our concerns with the controls over JV processing with the CFO. The CFO stated that due to the departure of the accounting director the week before the end of the fiscal year, an EAC accountant was not available to review and approve JVs proposed by the service provider. The CFO was not aware that the service provider was processing JVs without EAC review during this time period. The CFO further indicated plans to reestablish

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<sup>2</sup> Journal vouchers bypass accounting and reporting edits built into the accounting system. Since Treasury-approved posting models are bypassed, any entry included on the journal voucher will be made to the general ledger. Therefore, it is critical that controls are in place over this function.

controls that require the EAC to review and approve the journal voucher prior to processing.

**d. Errors Made by Service Provider Impacted EAC's Financial Statements and Financial Reports**

The financial statements presented for audit contained errors that if not corrected would have resulted in qualifications to the audit opinion on the 2011 and 2010 financial statements. We attributed these errors to a lack of or ineffective internal controls over financial reporting by EAC's service provider, as they were applied to EAC operations.

The financial statements and footnotes EAC presented for audit contained misstatements, formatting and other presentation errors, and were lacking supporting documentation. Some of the problems we identified during our audit follow:

- The first set of footnotes provided for audit contained numerous and material errors in the 2010 footnotes. The second version of the footnotes corrected most, but not all of the errors. For example, the second version depreciation expense for 2010 (footnote five) was misstated by over \$100,000, and footnote twelve contained numerous differences between the 2010 audited amounts and the amounts included in the 2011 financial statements.
- We noted that footnote five did not agree with the consolidated trial balance provided by the service provider. The footnote differed by a nonmaterial amount due to errors made by the service provider in cancelling fiscal year 2006 appropriations.
- Our independent crosswalk identified errors in footnote twelve. The footnote line item *Resources that Finance the Acquisition of Assets* included an amount, while not material, that the SGL did not crosswalk to this footnote section. It appeared the entry was made solely so the footnote balanced with the Statement of Net Cost.
- Information provided by the service provider to support the amount of undelivered orders did not reconcile to the general ledger accounts. We found that the undelivered orders aging report did not include details for paid undelivered orders.

**Recommendations:**

1. Strengthen the agreement with the service provider to ensure that financial statements and supporting documentation are required to be provided to EAC and its auditors in a timely manner.

**Agency Response**

EAC will work with the service provider to modify the agreement to help ensure timely submission of statements and documentation. It should be noted that the provider was not asked to provide full support for the audit until near the end of the fiscal year, when EAC found out it was losing its staff accountant as of September 23, 2011. The staff accountant provided the support for the past two fiscal years.

**Auditor Comments**

EAC agreed to implement the recommendation. Once these actions are completed, EAC will have addressed our audit recommendation.

2. Develop specific information requirements and checklists that the service provider must complete and provide to EAC to support interim and year-end financial statements.

**Agency Response**

EAC will work with the service provider on specific requirements and checklists to support interim and year-end financial statements. The starting point will be for EAC to ask the provider to use existing requirements and checklists in EAC's Accounting Manual.

**Auditor Comments**

EAC agreed to implement the recommendation. Once the actions are completed, EAC will have addressed our audit recommendation.

3. Obtain assurances from the service provider that necessary controls are in place and operating effectively concerning the validation of posting models and changes made to the posting models.

**Agency Response**

EAC will request assurances from the service provider and follow up that necessary changes are made.

**Auditor Comments**

EAC agreed to implement the recommendation. Once the actions are completed, EAC will have addressed our audit recommendation.

4. Review all 2011 fiscal year JVs that have not been approved by EAC to ensure that the entries are proper. Require the service provider to provide documentation that supports it meets published control procedures relating to preparation of JVs.

**Agency Response**

The service provider indicated that FY 2011 Journal Vouchers (JVs) were approved either orally or in writing with EAC prior to entry in the financial

system. EAC staff will request JVs not yet approved by the agency from the service provider and confirm that we agree that the entries are proper. Staff will remind the service provider about procedures established in August 2009 requiring that all JVs be reviewed and approved for accuracy by EAC management prior to entry into the financial system.

**Auditor Comments**

EAC agreed to implement the recommendation. Once the actions are completed, EAC will have addressed our audit recommendation.

5. Ensure that the service provider corrects the problem with its undelivered order aging report.

**Agency Response**

EAC has requested that the service provider modify the aging report to include all obligations (including paid undelivered orders), rather than open obligations only, in the past. We will make the request again.

**Auditor Comments**

EAC agreed to implement the recommendation. Once the actions are completed, EAC will have addressed our audit recommendation.

6. Ensure that EAC's internal controls over financial reporting, including strengthened oversight over its accounting service provider, are re-established.

**Agency Response**

EAC will work with the current or an alternative service provider to ensure internal controls over financial reporting are strong in spite of loss of accounting staff during an agency hiring freeze.

**Auditor Comments**

EAC agreed to implement the recommendation. Once the actions are completed, EAC will have addressed our audit recommendation.

**2. NIST Transfer – FY 2011**

EAC processed an approximately \$613,000 transfer to the National Institute of Standards and Technology (NIST) in early December 2010. Because errors were made by the service provider and EAC did not follow its own control procedures, EAC's general ledger records showed it did not have sufficient funds available to make this transfer. Without appropriate internal controls in place and operating effectively, EAC is at increased risk that its financial reports and financial statements could be misstated.

OMB Bulletin 10-03, *Apportionment of the Continuing Resolution(s) for Fiscal Year 2011*, and OMB Circular A-11, *Preparation, Submission, and Execution of the*

*Budget*, provide guidance on the processes to be followed when determining apportionments for continuing resolutions.

During our audit, we noted incorrect postings were made to EAC's general ledger relating to a December 2010 transfer to NIST. Based upon our review of accounting documents, discussions with EAC officials, and review of budgetary guidance, we obtained an understanding of the events surrounding the NIST transfer. We found that EAC accounting personnel initially became aware of an accounting problem with the December 2010 transfer to NIST when a routine review of financial information showed SGL accounts with abnormal or unusual balances.

Our review of the accounting for the transfer showed that in addition to creating abnormal balances in the general ledger the entry did not follow Standard General Ledger (SGL) posting models. For example, we found that the service provider posted the entry to SGL account 3101<sup>3</sup>, Unexpended Appropriations – Appropriations Received, instead of SGL account 3103, Unexpended Appropriation – Transfers Out. Service provider personnel advised that the error was made because of an incorrect posting model in the accounting system.

We discussed funds controls in the accounting system with EAC officials to determine why controls did not prevent the transfer since there was insufficient funding available. We were advised by the CFO that there are fund controls in the accounting system within the budget module that will not allow a client to disburse more funds than they have. However, during Continuing Resolution (CR) periods, the CR amounts are not entered into the budget module, but instead the CR apportionments are entered via JVs and monitored by the service provider accountants.

EAC officials advised us that they have discussed the posting model problem with the service provider, and reviewed all other NIST transfers to ensure that the accounting was appropriate. EAC officials advised that the agency has completed its review of NIST transfers for 2011, and all accounts are now correct. EAC has also discussed with the service provider the need to establish funds controls over CR apportionments, including establishment of a new budget activity specifically for the transfer.

**Recommendations:**

1. Require the service provider to correct this posting model error, and identify and correct all transactions processed under this posting model during this fiscal year.

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<sup>3</sup> This account reflects the amount of new appropriations received during the fiscal year.



**Agency Response**

It is our understanding that this posting model error has been corrected. The FY 2011 NIST transfers were reviewed and accounts are correct.

**Auditor Comments**

The agency has taken action to implement the recommendation.

2. Require the service provider to establish automated funds controls over apportionments made through a continuing resolution. Until this change is made to the accounting system, ensure compensating controls at the service provider and EAC are developed.

**Agency Response**

Service provider staff indicated that they are investigating an appropriate automatic control in the accounting system. EAC will follow-up on this during FY 2012. In the meantime, compensating controls were established. First, exception apportionments during CRs are to be recorded as both JV and AI documents, versus the JV only recording in the past. Second, a new budget activity specifically for the NIST transfer was established, and is currently being used for FY 2012 CRs.

**Auditor Comments**

EAC agreed to implement the recommendation. Once the actions are completed, EAC will have addressed our audit recommendation.

3. Review the control breakdowns that occurred within EAC and develop additional controls or processes, as appropriate, to ensure that transactions are reviewed and approved by all required individuals.

**Agency Response**

EAC worked with the Office of Management and Budget to apportion the NIST funds under CRs—even though the funds are apportioned automatically and do not fall under the CR formulas, which are based on obligations rather than non-expenditure interagency transfer of funds—so that the funds cannot co-mingled accidentally. Internally, EAC ensures that NIST transfer funds are apportioned under CRs before requesting that GSA initiate any transfers of the funds.

**Auditor Comments**

The agency has described actions that it has taken to address various issues dealing with the NIST transfer. However, EAC did not address the recommendation that transactions be reviewed and approved by all required parties, as discussed in the EAC accounting manual.

A summary of the status of prior year findings is included as Appendix 1.

**COMPLIANCE WITH LAWS AND REGULATIONS**

The results of our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, as described in the Responsibilities section of this report, disclosed no instances of noncompliance with laws, regulations, contracts, and grant agreements that are required to be reported under *Government Auditing Standards* and OMB Bulletin 07-04 (as amended).

**RESPONSIBILITIES**

Management Responsibilities

Management of the EAC is responsible for: (1) preparing the financial statements in conformity with generally accepted accounting principles; (2) establishing, maintaining, and assessing internal controls to provide reasonable assurance that the broad control objectives of the Federal Managers Financial Integrity Act (FMFIA) are met; and (3) complying with applicable laws, regulations, contracts, and grant agreements. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal controls policies.

Auditor Responsibilities

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Bulletin 07-04, *Audit Requirements for Federal Financial Statements* (as amended). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes: (1) examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; (2) assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In planning and performing our audit, we considered the EAC's internal controls over financial reporting by obtaining an understanding of the agency's internal controls, determining whether internal controls had been placed in operation, assessing control risk, and performing tests of controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements.

We limited our internal controls testing to those controls necessary to achieve the objectives described in OMB Bulletin 07-04 (as amended) and *Government Auditing Standards*. We did not test all internal controls relevant to operating objectives as

broadly defined by FMFIA. Our procedures were not designed to provide an opinion on internal controls over financial reporting. Consequently, we do not express an opinion thereon.


As required by OMB Bulletin 07-04 (as amended), with respect to internal controls related to performance measures determined to be key and reported in Management's Discussion and Analysis, we made inquiries of management concerning the methods of preparing the information, including whether it was measured and presented within prescribed guidelines; changes in the methods of measurement or presentation from those used in the prior period(s) and the reasons for any such changes; and significant assumptions or interpretations underlying the measurement or presentation. We also evaluated the consistency of Management's Discussion and Analysis with management's responses to the foregoing inquiries, audited financial statements, and other audit evidence obtained during the examination of the financial statements. Our procedures were not designed to provide assurance on internal controls over reported performance measures, and, accordingly, we do not provide an opinion thereon.

We inquired of EAC's management as to its methods for preparing Required Supplementary Stewardship Information (RSSI), and reviewed this information for consistency with the financial statements. The RSSI is not a required part of the basic financial statements. However, our audit was not designed to express an opinion and, accordingly, we do not express an opinion on EAC's RSSI.

As part of obtaining reasonable assurance about whether the agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and significant provisions of contracts, and grant agreements noncompliance with which could have a direct and material effect on the determination of financial statement amounts, and certain other laws, regulations, contracts, and grant agreements specified in OMB Bulletin 07-04 (as amended). We limited our tests of compliance to these provisions and we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to the EAC. Providing an opinion on compliance with certain provisions of laws, regulations, and significant contract provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

**DISTRIBUTION**

This report is intended solely for the information and use of the Commission, the Office of Inspector General, and others within the EAC, OMB, and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

  
Leon Snead & Company, P.C.  
November 14, 2011

Appendix 1

Status of Prior Year Findings


| Issue | Prior Year Condition   | Status as of September 30, 2010   |
|-------|--|---|
| 1.    | <b>Material Noncompliance:</b> EAC did not have adequate funds control to ensure compliance with Antideficiency Act and purpose statute. | EAC issued required notifications to address Antideficiency Act reporting requirements. |



U. S. ELECTION ASSISTANCE COMMISSION  
OFFICE OF THE EXECUTIVE DIRECTOR  
1201 New York Avenue, NW, Suite 300  
Washington, DC. 20005

November 7, 2011

To: Arnie Garza  
Assistant Inspector General for Audit

From: Tom Wilkey   
Executive Director

Subject: Election Assistance Commission Response to Independent Audit Report on the U.S. Election Assistance Commission's Financial Statements for Fiscal Years 2011 and 2010 (Assignment No. I-PA-EAC-01-11)

The Election Assistance Commission (EAC) resolved an FY 2010 material noncompliance related to funds control and compliance with the Antideficiency Act in FY 2010. During FY 2011, the agency continued sound financial management practices and obtained an unqualified audit opinion on the Fiscal year 2011 financial statements.

The Independent Auditor's Report, submitted by Leon Snead & Company, Inc., identified one material weakness in internal control over financial reporting and one significant deficiency. Overall, EAC agrees with the findings in the report.

Our responses to the audit recommendations regarding the material weakness and to the significant deficiency are presented below.

**EAC Controls over Financial Reporting and Service Provider Processes impacted 2011 Financial Statements**

- 1. Strengthen the agreement with the service provider to ensure that financial statements and supporting documentation are required to be provided to EAC and its auditors in a timely manner.**

EAC will work with the service provider to modify the agreement to help ensure timely submission of statements and documentation. It should be noted that the provider was not asked to provide full support for the audit until near the end of the fiscal year, when EAC found out it was losing its staff accountant as of September 23, 2011. The staff accountant provided the support for the past two fiscal years.

- 2. Develop specific information requirements and checklists that the service provider must complete and provide to EAC to support interim and year-end financial statements.**

EAC will work with the service provider on specific requirements and checklists to support interim and year-end financial statements. The starting point will be for EAC to ask the provider to use existing requirements and checklists in EAC's Accounting Manual.

- 3. Obtain assurances from the service provider that necessary controls are in place and operating effectively concerning the validation of posting models and changes made to the posting models.**

EAC will request assurances from the service provider and follow up that necessary changes are made.

- 4. Review all 2011 fiscal year JVs that have not been approved by EAC to ensure that the entries are proper. Require the service provider to provide documentation that supports it meet published control procedures relating to preparation of JVs.**

The service provider indicated that FY 2011 Journal Vouchers (JVs) were approved either orally or in writing with EAC prior to entry in the financial system. EAC staff will request JVs not yet approved by the agency from the service provider and confirm that we agree that the entries are proper. Staff will remind the service provider about procedures established in August 2009 requiring that all JVs be reviewed and approved for accuracy by EAC management prior to entry into the financial system.

- 5. Ensure that the service provider corrects the problem with its undelivered order aging report.**

EAC has requested that the service provider modify the aging report to include all obligations (including paid undelivered orders), rather than open obligations only, in the past. We will make the request again.

- 6. Ensure that EAC's internal controls over financial reporting, including strengthened oversight over its accounting service provider, are re-established.**

EAC will work with the current or an alternative service provider to ensure internal controls over financial reporting are strong in spite of loss of accounting staff during an agency hiring freeze.

#### NIST Transfer – FY 2011

- 1. Require the service provider to correct this posting model error, and identify and correct all transactions processed under this posting model during this fiscal year.**

It is our understanding that this posting model error has been corrected. The FY 2011 NIST transfers were reviewed and accounts are correct.

- 2. Require the service provider to establish automated funds controls over apportionments made through a continuing resolution. Until this change is made to**

**the accounting system, ensure compensating controls at the service provider and EAC are developed.**

Service provider staff indicated that they are investigating an appropriate automatic control in the accounting system. EAC will follow-up on this during FY 2012. In the meantime, compensating controls were established. First, exception apportionments during CRs are to be recorded as both JV and A1 documents, versus the JV only recording in the past. Second, a new budget activity specifically for the NIST transfer was established, and is currently being used for FY 2012 CRs.

**3. Review the control breakdowns that occurred within EAC and develop additional controls or processes, as appropriate, to ensure that transactions are reviewed and approved by all required individuals.**

EAC worked with the Office of Management and Budget to apportion the NIST funds under CRs—even though the funds are apportioned automatically and do not fall under the CR formulas, which are based on obligations rather than non-expenditure interagency transfer of funds—so that the funds cannot co-mingled accidentally. Internally, EAC ensures that NIST transfer funds are apportioned under CRs before requesting that GSA initiate any transfers of the funds.

Cc: Gineen Bresso, Commissioner  
Donetta Davidson, Commissioner  
Mark Robbins, General Counsel  
Curtis Crider, Inspector General  
Alice Miller, Chief Operating Officer  
Annette Lafferty, Chief Financial Officer

**II.D. FINANCIAL STATEMENTS**

The Balance Sheet presents information as of September 30, 2011, amounts of future economic benefits owned or managed by EAC (i.e., assets), amounts owed by EAC (i.e., liabilities), and amounts that comprise the difference (i.e., net position).

| <b>ELECTION ASSISTANCE COMMISSION</b>                    |               |                |
|--|---------------|----------------|
| <b>BALANCE SHEET</b>                                     |               |                |
| <b>As of September 30, 2011 and 2010 (In Dollars)</b>    |               |                |
| <b>Assets</b>  | <b>2011</b>   | <b>2010</b>    |
| Intragovernmental:                                       |               |                |
| Fund balance with Treasury (Note 2)                      | \$ 45,153,024 | \$ 139,699,928 |
| Advances and Prepayments (Note 4)                        | 612,994       | 2,263,002      |
| Total intragovernmental assets                           | 45,766,018    | 141,962,930    |
| With public:   |               |                |
| Accounts receivable, net (Note 3)                        | 326           | 228,374        |
| Advances and prepayments (Note 4)                        | 793,395       | 1,112,686      |
| Total assets with public                                 | 793,721       | 1,341,060      |
| General property and equipment, net (Note 5)             | 1,343,191     | 1,172,955      |
| Total assets   | \$ 47,902,930 | \$ 144,476,945 |
| <b>Liabilities</b>                                       |               |                |
| Intragovernmental:                                       |               |                |
| Accounts payable (Note 6)                                | \$ 135,960    | \$ 306,504     |
| Employer contribution and payroll taxes payable (Note 6) | 19,911        | 73,289         |
| Total intragovernmental                                  | 155,871       | 379,793        |
| With the public:   |               |                |
| Accounts payable (Note 6)                                | 1,647,251     | 781,372        |
| Accrued payroll and benefits (Note 6)                    | 107,135       | 307,639        |
| Unfunded leave (Note 6)                                  | 293,961       | 327,803        |
| Total liabilities  | 2,204,218     | 1,796,607      |
| <b>Net position</b>                                      |               |                |
| Unexpended appropriations                                | 44,650,213    | 141,834,143    |
| Cumulative results of operations                         | 1,048,499     | 846,195        |
| Total net position                                       | 45,698,712    | 142,680,338    |
| Total liabilities and net position                       | \$ 47,902,930 | \$ 144,476,945 |

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



**ELECTION ASSISTANCE COMMISSION**

**STATEMENT OF NET COST**

**For The Years Ended September 30, 2011 and 2010 (In Dollars)**

|  | <u>2011</u>                  | <u>2010</u>                  |
|--|------------------------------|------------------------------|
| <b>Program Costs:</b>                  |                              |                              |
| Communications and Clearinghouse       | \$ 2,011,063                 | \$ 1,797,916                 |
| Fund and Oversee                       | 100,376,323                  | 122,834,439                  |
| Research, Policy and Programs          | 2,971,090                    | 2,845,652                    |
| Testing and Certification              | <u>3,255,161</u>             | <u>3,531,576</u>             |
| <b>Net cost of operations (Note 8)</b> | <u><u>\$ 108,613,637</u></u> | <u><u>\$ 131,009,583</u></u> |

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

**Election Assistance Commission**

**ELECTION ASSISTANCE COMMISSION  
STATEMENT OF CHANGES IN NET POSITION  
For The Years Ended September 30, 2011 and 2010 (In Dollars)**

|   | <b>2011</b>     | <b>2010</b>     |
|---|-----------------|-----------------|
| <b>Cumulative results of operations:</b>          |                 |                 |
| Beginning balance                                 | \$ 846,195      | \$ 7,765        |
| Beginning balance, as adjusted                    | \$ 846,195      | \$ 7,765        |
| <b>Budgetary financing sources:</b>               |                 |                 |
| Appropriations used                               | 108,463,104     | 131,610,830     |
| <b>Other financing sources (non-exchange):</b>    |                 |                 |
| Imputed financing from costs absorbed from others | 352,837         | 237,183         |
| <b>Total financing sources:</b>                   | \$ 108,815,941  | \$ 131,848,013  |
| Net cost of operations                            | (108,613,637)   | (131,009,583)   |
| Net change  | 202,304         | 838,430         |
|   | \$ 1,048,499    | \$ 846,195      |
| <b>Cumulative results of operations:</b>          |                 |                 |
| <b>Unexpended appropriations:</b>                 |                 |                 |
| Beginning balance                                 | \$ 141,834,143  | \$ 186,401,600  |
| Beginning balance, as adjusted                    | \$ 141,834,143  | \$ 186,401,600  |
| <b>Budgetary financing sources:</b>               |                 |                 |
| Appropriations received                           | \$ 16,300,000   | \$ 92,959,000   |
| Appropriations transferred in/out (+/-)           | (3,243,500)     | (3,500,000)     |
| Other adjustments                                 | (1,777,326)     | (2,415,627)     |
| Appropriations used                               | (108,463,104)   | (131,610,830)   |
| <b>Total budgetary financing sources</b>          | \$ (97,183,930) | \$ (44,567,457) |
| <b>Total unexpended appropriations</b>            | 44,650,213      | 141,834,143     |
| <b>Net position</b>                               | \$ 45,698,712   | \$ 142,680,338  |

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

**ELECTION ASSISTANCE COMMISSION  
STATEMENT OF BUDGETARY RESOURCES  
For The Years Ended September 30, 2011 and 2010 (In Dollars)**

|   | <b>2011</b>           | <b>2010</b>          |
|---|-----------------------|----------------------|
| <b>Budgetary resources:</b>   |                       |                      |
| Unobligated balance, brought forward                                    | \$17,293,724          | \$13,998,900         |
| Recoveries of prior year obligations                                    | 2,549,790             | 1,181,062            |
| Budget authority:   |                       |                      |
| Appropriations received   | 16,300,000            | 92,959,000           |
| Spending authority from offsetting collections:                         |                       |                      |
| Collected   | 1,136,128             | 1,374,204            |
| Nonexpenditure transfers, net, anticipated and actual                   | (3,243,500)           | (3,500,000)          |
| Permanently not available   | (1,777,326)           | (2,415,627)          |
| <b>Total budgetary resources (Note 9)</b>                               | <b>\$32,258,816</b>   | <b>\$103,597,539</b> |
| <br><b>Status of budgetary resources:</b>                               |                       |                      |
| Obligations incurred:   | \$19,833,778          | \$86,303,814         |
| <br>Unobligated balance - apportioned                                   | <br>5,636,700         | <br>12,046,897       |
| <br>Unobligated balance not available                                   | <br>6,788,338         | <br>5,246,828        |
| <b>Total status of budgetary resources (Note 9)</b>                     | <b>\$32,258,816</b>   | <b>\$103,597,539</b> |
| <br><b>Change in obligated balance:</b>                                 |                       |                      |
| Obligated balance, net  |                       |                      |
| Unpaid obligations, brought forward (Note 11)                           | \$122,406,204         | \$143,885,983        |
| Obligations incurred, net   | 19,833,778            | 86,303,814           |
| Less: gross outlays   | 106,962,206           | (106,602,531)        |
| Less: recoveries of prior year unpaid obligations, actual               | (2,549,790)           | (1,181,062)          |
| <b>Total, unpaid obligated balance, end of period forward (Note 11)</b> | <b>\$32,727,986</b>   | <b>\$122,406,204</b> |
| <br><b>Net outlays:</b>   |                       |                      |
| Gross outlays   | \$106,960,528         | \$106,602,531        |
| Less: offsetting collections  | (1,134,450)           | (1,374,204)          |
| <b>Net outlays (Note 9)</b>   | <b>\$ 105,826,078</b> | <b>\$105,228,327</b> |

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

## I.E NOTES TO FINANCIAL STATEMENTS

### GENERAL FUND

#### Note 1 – Significant Accounting Policies

##### 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 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.

##### Basis of Accounting and Presentation

As required by the *Accountability of Tax Dollars Act of 2002* (ATDA), the accompanying financial statements present the financial position, net cost of operations, changes in net position, and budgetary resources of the EAC. While these financial statements have been prepared from the books and records of the EAC in accordance with United States generally accepted accounting principles (GAAP) and in accordance with the form and content for entity financial statements specified by the Office of Management and Budget (OMB) in Circular A-136, as revised, *Financial Reporting Requirements*, as well as the accounting policies of the EAC, the statements may differ from other financial reports submitted pursuant to OMB directives for the purpose of monitoring and controlling the use of the EAC's budgetary resources. GAAP for federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board (FASAB), which is the official body for setting the accounting standards of the federal government.

These financial statements reflect both accrual and budgetary accounting transactions. Under the accrual method of accounting, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Budgetary

**Note 1 – Significant Accounting Policies (Continued)**

accounting is designed to recognize the obligation of funds according to legal requirements. Budgetary accounting is essential for compliance with legal constraints and controls over the use of Federal funds.

Throughout these financial statements, assets, liabilities, revenues, and costs have been classified according to the type of entity with which the transactions are associated. Intragovernmental assets and liabilities are those from or to other federal entities. Intragovernmental earned revenues are collections or accruals of revenue from other federal entities and intragovernmental costs are payments or accruals to other federal entities. These statements should be read with the understanding that they are for a component of the U.S. Government, a sovereign entity.

**Assets**

Assets that an entity is authorized to use in its operations are termed entity assets, while assets that are held by an entity and are not available for the entity's use are termed non-entity assets. All of the EAC's assets are entity assets and are available to carry out the mission of the EAC, as appropriated by Congress.

**Fund Balance with Treasury**

EAC does not maintain cash in commercial bank accounts. The U.S. Treasury processes cash receipts and disbursements. Funds with the U.S. Treasury consist of appropriated funds. These funds are available to pay current liabilities and finance authorized purchase commitments.

**Accounts Receivable**

EAC's accounts receivable represents claims from associates and amounts due from the States and grant recipients. The amounts due from current and separated employees result from payroll adjustments and /or court ordered actions. The amounts from the States and grant recipients result from audits and examinations performed by the EAC on the proper use of funds under the Help America Vote Act of 2002, Section 101, 102 and 251 payments and Section 102 funds unspent by the States that did not file the extension waiver.

**Advances and Prepayments**

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.

Total prepayments and advances to non-governmental entities as of September 30, 2011 were \$793,395. These include primarily HAVA Section 102 advances unspent by the States as of September 30, 2011. The prepayments and advances to governmental entities were \$612,994 as

**Note 1 – Significant Accounting Policies (Continued)**

of September 30, 2011. These included deposited accounts with the Department of Interior, Acquisition Services Directorate to provide acquisition support services to the EAC.

**General Property and Equipment**

General property and equipment (PP&E) is reported at acquisition cost.

The capitalization threshold is established at \$10,000 for assets with a useful life of 2 or more years. The bulk purchase policy requires that all items will be capitalized when the individual useful lives are at least two years and have an aggregate value of \$100,000 or more.

Acquisitions of PP&E that do not meet the capitalization criteria are recorded as operating expenses. General PP&E consists of items that are used by EAC to support its mission.

Maintenance, repairs and minor renovations are expensed as incurred. Expenditures that materially increase values, change capacities or extend the useful lives are capitalized.

The headquarters building in which the EAC operates is leased through the General Services Administration (GSA) under an occupancy agreement, which manages the lease agreement between the Federal government and the commercial entity. EAC is billed on a monthly basis by GSA for the leased premises. The cost of the leasehold improvements to the headquarters building has been capitalized. Any costs of leasehold improvements financed with EAC appropriated funds are capitalized if the total cost exceeds \$25,000. Any construction costs will be accumulated as “construction in-progress” until completion and then transferred and capitalized as a “leasehold improvements” over 7 years or the remainder of the lease, whichever is less.

Internal use software development and acquisition costs of \$25,000 will be capitalized as software development in progress until the development stage is completed and the software is successfully tested. At acceptance, software development-in-progress costs will be reclassified as internal use software costs and amortized using the straight-line method over an estimated useful life of 5 years. Purchased commercial software that does not meet the capitalization criteria will be expensed. Enhancements which do not add significant new capability of functionality will be expensed.

**Liabilities**

Liabilities represent amounts that are likely to be paid by the EAC as the result of transactions or events that have already occurred; however, no liabilities are paid by EAC without an appropriation. Intragovernmental liabilities arise from transactions with other Federal entities. Liabilities classified as not covered by budgetary resources are liabilities for which appropriations have not been enacted (e.g., annual leave benefits and actuarial liability under the Federal Employees Compensation Act).

**Note 1 – Significant Accounting Policies (Continued)**

**Accounts Payable**

Accounts payable consist of liabilities to commercial vendors and contractors and other federal agencies for amounts owed for goods, services, and other expenses received but not yet paid at the end of the fiscal year. Accounts payable also consists of disbursements in transit recorded by EAC but not yet paid by the U.S. Treasury.

**Accrued Payroll and Benefits**

Accrued payroll and benefits represents salaries, wages and benefits earned by employees, but not disbursed as of September 30, 2011. Accrued payroll and benefits are payable to employees and are therefore not classified as Intragovernmental.

**Annual, Sick and Other Leave**

Annual leave is recorded as a liability when it is earned; the liability is reduced as leave is taken. Each pay period the balance in the accrued leave account is adjusted to reflect the current leave balances and pay rates. Accrued annual leave is paid from future funding sources and accordingly is reflected as a liability not covered by budgetary resources. Sick leave and other types of non-vested leave are expensed as taken.

**Federal Employee Benefits**

A liability is recorded for estimated and actual future payments to be made for worker's compensation pursuant to the Federal Employees Compensation Act (FECA). EAC had a FECA liability at the end of the reporting period for claims filed for the period July 1, 2010 through June 30, 2011. Accordingly, EAC recorded a liability for estimated payments to be made for workers' compensation pursuant to the Act.

**Employee Retirement Plans**

EAC employees participate in either the Civil Service Retirement System (CSRS) or Federal Employees Retirement System (FERS), which became effective on January 1, 1987. Most EAC employees are covered by FERS and social security.

For employees covered by CSRS, the EAC withheld 7.0 percent of base pay earnings. The EAC matches this withholding, and the sum of the withholding and the matching funds is transferred to the Civil Service Retirement System.

For FERS covered employees, the EAC made contributions of 11.7 percent of basic pay. Employees participating in FERS are covered under the *Federal Insurance Contribution Act (FICA)* for which the EAC contributes a matching amount to the Social Security Administration. FERS contributions made by employer agencies and covered employees are comparable to the

**Note 1 – Significant Accounting Policies (Continued)**

U.S. Government’s estimated services costs.

**Thrift Savings Plan (TSP)**

The Thrift Savings Plan (TSP) is a retirement savings and investment plan for employees covered either by CSRS or FERS. The TSP is administered by the Federal Retirement Thrift Investment Board on behalf of Federal agencies. For employees belonging to FERS, EAC automatically contributes one percent of base pay to their account and matches contributions up to an additional four percent. For employees belonging to CSRS, there is no governmental matching contribution.

The EAC does not report on its financial statements CSRS and FERS assets, accumulated plan benefits, or unfunded liabilities, if any, which may be applicable to EAC employees. Reporting such amounts is the responsibility of the Office of Personnel Management. The portion of the current and estimated future outlays for CSRS not paid by EAC is, in accordance with Statement of Federal Financial Accounting Standards (SFFAS) No. 5, *Accounting for Liabilities of the Federal Government*, included in EAC’s financial statements as an imputed financing source.

**Commitments and Contingencies**

Commitments are contractual agreements involving financial obligations. EAC is committed for goods and services that have been ordered, but have not yet been received.

A contingency is an existing condition, situation, or set of circumstances involving uncertainty as to possible gain or loss. The uncertainty will ultimately be resolved when one or more future events occur or fail to occur. A contingency liability is recognized when a past event or exchange transaction has occurred, and future outflow or other sacrifice of resources is measurable and probable. A contingency is not disclosed when any of the conditions for liability recognition are met but the chance of the future event or events occurring is remote. A contingency is disclosed when any of the conditions for liability recognition are not met and the chance of the future confirming event or events occurring is more than remote but less than probable.

**Revenues and Other Financing Sources**

**Annual Appropriation**

EAC receives its funding through an annual appropriation as provided by Congress.

**Imputed Financing Sources**

In accordance with OMB Circular A-136, all expenses should be reported by agencies whether or not these expenses would be paid by the agency that incurs the expense. The amounts for certain expenses of EAC, which will be paid by other Federal agencies, are recorded in the Statement of Net Cost. A corresponding amount is recognized in the “Statement of Changes in Net Position” as an “Imputed Financing Source.” These imputed financing sources primarily represent unfunded pension costs of EAC employees, as described above.



**Note 1 – Significant Accounting Policies (Continued)**

**Statement of Net Cost**

Net cost of operations is the difference between the EAC's expenses and its earned revenue. For Fiscal years 2010 and 2011, the EAC has four programs; Communication and Clearinghouse, Fund and Oversee, Research, Policy and Programs, and Testing & Certification. The cost for each program is a sum of the direct costs of the program and an allocation of the agency's other overhead costs such as rent, telephone, administrative and financial support staff. All grants and requirement payments are included in the Fund and Oversee program.

**Grants**

The EAC administers and oversees the grant making process in connection with federal Requirement Payments and grants mad to recipient organizations und 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.

**Net Position**

Net position is the residual difference between asset and liabilities and is comprised of unexpended appropriations and cumulative result of operations. Unexpended appropriations represent appropriated spending authority that is unobligated and has not been withdrawn by the U.S. Treasury along with obligations that have not been paid. Unobligated balances associated with appropriations that expire at the end of the fiscal year remain available for obligation adjustments, but not for new obligations, until that account is closed, five years after the appropriations expire. Cumulative results of operations represent the excess of financing sources over expenses since inception.

**Use of Estimates**

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

**Note 2 – Fund Balance With Treasury**

Fund balances with Treasury are contained within seven annual funds (FY2006 through FY2011) and two no-year funds. The total of fund balances with treasury consisted of the following at September 30, 2011 and September 30, 2010:

**Election Assistance Commission**

|   |              |               |
|---|--------------|---------------|
| A. Fund Balance with Treasury           | <u>2011</u>  | <u>2010</u>   |
| Appropriated Fund                       | \$45,153,024 | \$139,699,928 |
|   |              |               |
| B. Status of Fund Balance with Treasury |              |               |
| 1) Unobligated Balance                  |              |               |
| a) Available                            | 5,636,700    | 12,046,896    |
| b) Unavailable                          | 6,788,338    | 5,246,828     |
| 2) Obligated Balance not yet Disbursed  | 32,727,986   | 122,406,204   |
| Total                                   | \$45,153,024 | \$139,699,928 |

Available unobligated balances represent amounts that are apportioned for obligation in the current fiscal year. Unavailable unobligated balances represent amounts that are not apportioned for obligation during the current fiscal year along with expired appropriations that are not longer available to incur new obligations. Obligated balances not yet disbursed include undelivered orders unpaid and expended authority-unpaid.

**Note 3 – Accounts Receivable, Net**

Accounts receivable, net comprised of claims from associates consists of the following as of September 30, 2011 and September 30, 2010:

|                                 |             |             |
|---------------------------------|-------------|-------------|
| <b>Accounts Receivable, net</b> | <u>2011</u> | <u>2010</u> |
| Claims from Associates          | \$326       | \$2,067     |
| Due from States                 | 0           | 226,307     |
|                                 | \$326       | \$228,374   |

**Note 4 – Advances and Prepayments**

Advances and prepayments with non-governmental and governmental entities consist of the following as of September 30, 2011 and September 30, 2010:

|                                 |             |             |
|---------------------------------|-------------|-------------|
| <b>Advances and Prepayments</b> | <u>2011</u> | <u>2010</u> |
| With Governmental Entities      | \$612,994   | \$2,263,002 |
| With Non-Governmental Entities  | 793,395     | 1,112,686   |
| Total                           | \$1,406,389 | \$3,375,688 |

**Note 5 - General Property, Plant and Equipment, Net**

The general components of capitalized property and equipment, net of accumulated depreciation, consist of the following as of September 30, 2011 and September 30, 2010:

2011

| <u>Asset Class</u>                         | <u>Service Life<br/>(years)</u> | <u>Acquisition<br/>Value</u> | <u>Accumulated<br/>Depreciation</u> | <u>Net Book<br/>Value</u> |
|--|---------------------------------|------------------------------|-------------------------------------|---------------------------|
| Office Equipment                           | 5                               | \$551,867                    | \$143,593                           | \$408,274                 |
| Furniture                                  | 5                               | 678,651                      | 341,598                             | 337,053                   |
| Internal Use<br>Software                   | 5                               | 172,721                      | 17,261                              | 155,460                   |
| Leasehold<br>Improvements                  | 4                               | 675,216                      | 261,647                             | 413,569                   |
| Total Depreciated Capital<br>Assets        |                                 | <u>\$2,078,455</u>           | <u>\$764,099</u>                    | <u>\$1,314,356</u>        |
| Internal Use Software<br>Under Development |                                 | <u>\$28,835</u>              | <u>\$0</u>                          | <u>\$28,835</u>           |
| Total                                      |                                 | <u><u>\$2,107,290</u></u>    | <u><u>\$764,099</u></u>             | <u><u>\$1,343,191</u></u> |

2010

| <u>Asset Class</u>        | <u>Service Life<br/>(years)</u> | <u>Acquisition<br/>Value</u> | <u>Accumulated<br/>Depreciation</u> | <u>Net Book<br/>Value</u> |
|---------------------------|---------------------------------|------------------------------|-------------------------------------|---------------------------|
| Office Equipment          | 5                               | \$128,264                    | \$61,208                            | \$67,056                  |
| Furniture                 | 5                               | 726,933                      | 211,411                             | 515,522                   |
| Leasehold<br>Improvements | 7                               | 681,915                      | 91,538                              | 590,377                   |
| Total                     |                                 | <u><u>\$1,537,112</u></u>    | <u><u>\$364,157</u></u>             | <u><u>\$1,172,955</u></u> |

Depreciation expense was \$399,514 for the period ending September 30, 2011 and \$262,236 for the period ending September 30, 2010.

Depreciation of these assets is calculated using the straight-line method with no salvage value. Depreciation begins the month after the asset is placed in service. Useful lives are 5 years for equipment and 5 years for furniture.

The estimated useful lives and corresponding capitalization thresholds are as follows:

| <u>Type</u>            | <u>Lives</u> | <u>Threshold</u> |
|------------------------|--------------|------------------|
| Equipment              | 5 years      | \$ 10,000        |
| Furniture              | 5 years      | 10,000           |
| Vehicles               | 5 years      | 10,000           |
| Leasehold Improvements | 7 years      | 25,000           |
| Software               | 5 years      | 25,000           |

**Note 6 – Liabilities**

**Liabilities Not Covered by Budgetary Resources**

Liabilities Not Covered by Budgetary Resources result from the receipt of goods and services, or the occurrence of events, for which appropriations, revenues, or other financing sources necessary to pay the liabilities have not yet been made available through Congressional appropriation.

Liabilities Not Covered by Budgetary Resources consisted of the following as of September 30, 2011 and September 30, 2010:

|                          | <u>2011</u>           | <u>2010</u>           |
|--------------------------|-----------------------|-----------------------|
| <b>Intragovernmental</b> |                       |                       |
| FECA Liability           | 1,057                 | 1,023                 |
| <b>With the Public</b>   |                       |                       |
| Unfunded Annual Leave    | <u>293,961</u>        | <u>327,803</u>        |
|                          | <u><u>295,018</u></u> | <u><u>328,826</u></u> |

**Liabilities Covered by Budgetary Resources**

Liabilities covered by budgetary resources consist of the following as of September 30, 2011 and September 30, 2010:

|   | <u>2011</u>               | <u>2010</u>               |
|---|---------------------------|---------------------------|
| <b>Intragovernmental</b>                                |                           |                           |
| Accounts Payable  | \$135,960                 | \$306,504                 |
| Employer Contributions and Payroll Taxes                | <u>18,854</u>             | <u>72,266</u>             |
| <b>Total Intragovernmental</b>                          | <u>154,814</u>            | <u>378,770</u>            |
| <b>With the Public</b>                                  |                           |                           |
| Accounts Payable  | 1,647,251                 | 781,372                   |
| Employer Contributions and Payroll Taxes                | 1,739                     | -                         |
| Unemployment  | 22,258                    | -                         |
| Accrued Payroll and Benefits                            | <u>83,138</u>             | <u>307,639</u>            |
| <b>Total With the Public</b>                            | <u>1,754,386</u>          | <u>1,089,011</u>          |
| <b>Total Liabilities Covered by Budgetary Resources</b> | <u><u>\$1,909,200</u></u> | <u><u>\$1,467,781</u></u> |

**Note 7 – Leases**

EAC has no capital leases. The EAC has a current operating lease for the headquarters office space located at 1201 New York Avenue, NW, Suite 300 Washington, DC which runs through March 31, 2014. EAC took occupancy of this space on March 19, 2010.

EAC also had an operating lease for additional space located at 1440 New York Ave, NW, Washington, DC, which commenced August 5, 2008 with an original completion date of December 5, 2008. The lease was extended through April 30, 2011 and then again until August 2011. The space was occupied until new space leased on the 2<sup>nd</sup> floor of 1225 New York Avenue, NW, became available in August 2011.

Future lease payments due under this lease through March 31, 2014 are:

| <b>Future Operating Lease Payments</b> | <b>FY2011</b>        |
|--|----------------------|
| <b>Fiscal Year</b>                     | <b>Lease Payment</b> |
| 2011                                   | \$1,099,536          |
| 2012                                   | \$1,053,828          |
| 2013                                   | 1,062,981            |
| 2014                                   | 540,144              |
| 2015                                   | -                    |
| 2016 and thereafter                    | -                    |
| <b>Total future lease payments</b>     | <b>\$3,756,489</b>   |

| <b>Future Operating Lease Payments</b> | <b>FY2010</b>        |
|--|----------------------|
| <b>Fiscal Year</b>                     | <b>Lease Payment</b> |
| 2011                                   | 921,702              |
| 2012                                   | 929,627              |
| 2013                                   | 937,790              |
| 2014                                   | 477,588              |
| 2015 and thereafter                    | -                    |
| <b>Total future lease payments</b>     | <b>\$3,266,707</b>   |

**Note 8 – Statement of Net Cost**

For Fiscal year 2010 and 2011, the EAC has four programs; Communication, Fund and Oversee, Research , Policy and Programs, and Testing & Certification. The cost for each program is a sum of the direct costs of the program and an allocation of the agency’s other overhead costs such as rent, telephone, administrative and financial support staff. All grants and requirement payments are included in the Fund and Oversee program. The total cost of operations for the periods ended September 30, 2011 and September 30, 2010 is as follows:

**Election Assistance Commission**

| <u>Programs</u>            | <b>Fiscal Year 2011</b> |                      |                      |
|----------------------------|-------------------------|----------------------|----------------------|
|                            | Intragovernmental       | With the Public      | Total                |
| Communications             | \$600,452               | \$1,410,611          | \$2,011,063          |
| Fund & Oversee             | 1,143,629               | 99,232,694           | 100,376,323          |
| Research, Policy & Program | 887,091                 | 2,083,998            | 2,971,090            |
| Testing and Certification  | 971,908                 | 2,283,254            | 3,255,161            |
| <b>Total</b>               | <b>\$3,603,080</b>      | <b>\$105,010,557</b> | <b>\$108,613,637</b> |

| <u>Programs</u>            | <b>Fiscal Year 2010</b> |                      |                      |
|----------------------------|-------------------------|----------------------|----------------------|
|                            | Intragovernmental       | With the Public      | Total                |
| Communications             | \$521,265               | \$1,276,651          | \$1,797,916          |
| Fund & Oversee             | 1,329,791               | 121,504,648          | 122,834,439          |
| Research, Policy & Program | 825,032                 | 2,020,620            | 2,845,652            |
| Testing and Certification  | 1,023,899               | 2,507,677            | 3,531,576            |
| <b>Total</b>               | <b>\$3,699,987</b>      | <b>\$127,309,596</b> | <b>\$131,009,583</b> |

In accordance with OMB Circular A-136, costs incurred for goods and services provided by other federal entities are reported in the full costs of EAC’s programs and for Fiscal Year 2010 employer benefits for payroll, excluding TSP were included. They are identified as “Intragovernmental.” All other costs are identified as “with the public.”

**Note 9 – Statement of Budgetary Resources**

The Statement of Budgetary Resources (SBR) compares budgetary resources with the status of those resources. As of September 30, 2011, the budgetary resources were \$32,258,816 and net outlays were \$105,826,078. As of September 30, 2010, budgetary resources were \$103,597,539 and net outlays were \$105,228,327.

**Apportionment Categories of Obligations Received**

EAC receives apportionments of its resources from OMB. These are “Category A” during Continuing Resolutions for exception apportionment, “Category B” apportionments once the appropriation is enacted which are for resources that can be obligated in compliance with legislation underlying programs for which the resources were made available.

For the periods ended September 30, 2011 and September 30, 2010, direct obligations incurred amounted to \$19,833,778 and \$86,303,814, respectively.

**Note 10 – Comparison 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*, requires an explanation of material differences between budgetary resources available, the status of those resources and outlays as presented in the Statement of Budgetary Resources to the related actual balances published in the *Budget of the United States Government (Budget)*. The *Budget* that will include FY 2011 actual budgetary execution information is scheduled for publication in February 2012, which will be

available through OMB’s website at <http://www.whitehouse.gov//omb>. Accordingly, information required for such disclosure for FY 2010 is not available at the time of publication of these financial statements.

The Budget that includes the FY 2010 actual execution information was published February 1, 2011.

| FY2010                             | Budgetary<br>Resources | Obligations<br>Incurred | Net Outlays        |
|------------------------------------|------------------------|-------------------------|--------------------|
| Statement of Budgetary Resources   | \$103,597,539          | \$86,303,814            | \$105,228,327      |
| Spending Authority from            |                        |                         |                    |
| Offsetting Collections             | (1,374,204)            | -                       | -                  |
| Unobligated Balance Not Available  | (5,246,828)            | -                       | -                  |
| Total Adjusted Balance             | \$96,976,507           | \$86,303,814            | \$105,228,327      |
| <i>Budget of the US Government</i> | <i>96,000,000</i>      | <i>86,000,000</i>       | <i>105,000,000</i> |
| Difference                         | \$976,507              | \$303,814               | \$228,327          |

The difference between the Statement of Budgetary Resources and the Budget of the US Government is largely related to offsetting collections, changes in the balances of funds that have permanently expired or are no longer available for obligations, and therefore not available for the President’s Budget. Remaining differences are due to rounding.

**Note 11 – Unpaid Obligated Balance, net**

Unpaid obligated balance, net consists of undelivered orders and accounts payable. Undelivered orders represent obligations for which goods and services have not yet been received. Accounts payable includes goods and services which have been received but not yet paid for. The total unpaid obligated balance, net as of September 30, 2011 and September 30, 2010 were as follows:

|                               | <u>FY 2011</u>    | <u>FY 2010</u>     |
|-------------------------------|-------------------|--------------------|
| Undelivered Orders            | \$30,818,786      | \$120,938,416      |
| Accounts Payable              | 1,909,200         | 1,467,788          |
| Unpaid obligated balance, net | <u>32,727,986</u> | <u>122,406,204</u> |

**Note 12 – Reconciliation of Net Cost of Operations (Proprietary) to Budget (formerly the Statement of Financing)**

The purpose of this note is to detail the differences between budgetary and financial (proprietary) accounting. This is accomplished by means of a reconciliation of budgetary obligations and non-budgetary resources available to the reporting entity with its net cost of operations.

## Election Assistance Commission

|   | 2011           | 2010           |
|---|----------------|----------------|
| <i>Resources Used to Finance Activities:</i>  |                |                |
| Budgetary Resources Obligated   |                |                |
| Obligations Incurred  | \$ 19,832,101  | \$ 86,303,814  |
| Less: Spending Authority from Offsetting Collections<br>and Recoveries  | 3,684,241      | 2,555,266      |
| Net Obligations   | 16,147,860     | 83,748,548     |
| Other Resources   |                |                |
| Imputed Financing from Costs Absorbed by Others   | 352,837        | 237,183        |
| Net Other Resources Used to Finance Activities  | 352,837        | 237,183        |
| <i>Total Resources Used to Finance Activities</i>   | 16,500,697     | 83,985,731     |
| <i>Resources Used to Finance Items not Part of the Net Cost of Operations</i>                                       |                |                |
| Change in Budgetary Resources Obligated for Goods   |                |                |
| Services and Benefits Ordered But Not Yet Provided  | 92,088,937     | 47,740,411     |
| Resources that Finance the Acquisition of Assets  |                |                |
| Other Resources or Adjustments to Net Obligated Resources That<br>Do Not Affect Net Cost of Operations              | (342,130)      | (1,174,413)    |
| <i>Total Resources Used to Finance Items Not Part of the Net Cost</i>   | 91,746,807     | 46,565,998     |
|   | 108,247,504    | 130,551,729    |
| <i>Total Resources Used to Finance the Net Cost of Operations</i>   |                |                |
| <i>Components of the Net Cost of Operations that will not Require or Generate Resources in the Current Period:</i>  |                |                |
| Components Requiring or Generating Resources in Future Periods:   |                |                |
| Decrease in Annual Leave Liability  | (33,843)       | 66,505         |
| Other (+/-)   | 34             |                |
| <i>Total Components of Net Cost of Operations that will Require or Generate Resources in Future Periods</i>         | (33,809)       | 66,505         |
| <i>Components Not Requiring or Generating Resources:</i>  |                |                |
| Depreciation and Amortization   | 399,942        | 262,236        |
| Other (+/-)   |                | 129,113        |
| <i>Total Components of Net Cost of Operations that will not Require or Generate Resources</i>                       | 399,942        | 391,349        |
| <i>Total Components of Net Cost of Operations that will not Require or Generate Resources in the Current Period</i> | 366,133        | 457,854        |
| <i>Net Cost of Operations</i>   | \$ 108,613,637 | \$ 131,009,583 |

### Note 13 – Requirement Payments and Grant Programs

The EAC Requirements Payments and grant programs are funded through annual appropriations. The largest of the grant programs is the Help America Vote Act (HAVA) Section 251 Requirements Payments to the states to help them meet the Title III requirements of HAVA. The EAC periodically receives additional grant money to fund grant programs such as Research of Voting Technology Improvements, College Poll Worker and Mock Election grants. Reflected in the Statement of Net Costs for periods ending September 30, 2011 and September 30, 2010, are the following requirements and grant program payments. For presentation purposes, EAC has separated Section 102 Advances Spent by States from Section 251 Requirement Payments for FY2009 and FY2010.



**Election Assistance Commission**

|  | <u>FY 2011</u>      | <u>FY 2010</u>       |
|--|---------------------|----------------------|
| FY 2008 Section 251 Requirement Payments | \$30,032,324        | \$21,978,026         |
| FY 2009 Section 251 Requirement Payments | 38,299,071          | 30,457,959           |
| FY 2010 Section 251 Requirement Payments | 26,888,473          | 29,671,329           |
| Military Heroes Grant                    | 270,011             | -                    |
| Section 102 Advances Spent by States     | -                   | 33,713,042           |
| FY 2008 Data Collection Grants           | 13,921              | 1,745,231            |
| College Poll Worker Grants               | 709,427             | 429,841              |
| Mock Election Grants                     | 332,797             | 252,371              |
| Total                                    | <u>\$96,546,024</u> | <u>\$118,247,799</u> |

**II.F 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.

|                                   | <b>Fiscal Year<br/>2007</b> | <b>Fiscal Year<br/>2008</b> | <b>Fiscal Year<br/>2009</b> | <b>Fiscal Year<br/>2010</b> | <b>Fiscal Year<br/>2011</b> |
|-----------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| <b>Section 102<br/>Funds</b>      | \$ 15,533,405               | \$ 2,103,632                | \$ 19,905,709               | \$36,853,333                | -                           |
| <b>Section 251<br/>Funds</b>      | 181,694,563                 | 358,536,246                 | 262,018,224                 | 105,865,616                 | 78,575,556                  |
| <b>Data Collection<br/>Grants</b> | -                           | -                           | 447,650                     | 188                         | -                           |
| <b>Total</b>                      | <b>\$197,227,968</b>        | <b>\$360,639,878</b>        | <b>\$282,371,583</b>        | <b>\$142,719,137</b>        | <b>\$78,575,556</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 have been used to purchase physical property. These funds will be converted to Section 251 requirement payments and redistributed to the states.

**Section 251 Funds.** Section 251 requirements payments are to be used only to meet the requirements of Title III *Uniform and Nondiscriminatory Election Technology and Administration Requirements*. As such, Requirements Payments have been used in part to purchase physical property but also to provide funds to States to carry out other activities to improve administration of elections.

**Data Collection Grants.** In Fiscal Year 2008, EAC awarded \$10.0 million in Election Data Collection Grants to five States. These funds were to be used to improve the collection of precinct-level data relating to the November 2008 elections. Based on budgetary information supplied by each State, Federal physical property purchased with these funds is presented above.

**Research and Development**

The EAC has three research and development initiatives. These initiatives provide 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.

| <b><u>Initiative</u></b>                | <b><u>Fiscal Year 2011</u></b> |
|---|--------------------------------|
| Military Heroes                         | \$270,011                      |
| Accessible Voting Disability Technology | 0                              |
| Pre Election Logic and Accuracy         | 0                              |
| Total                                   | <u>\$270,011</u>               |

**Military Heroes Initiative**

The U.S. Election Assistance Commission has made available up to \$500,000 in funds for a two-year grant focused on research to improve voting technology and processes for recently injured military personnel. The purpose of this grant is to enable better understanding of the needs of injured military personnel in major hospital, recovery and rehabilitation facilities related to election processes, including; 1) documentation of current practices associated with voting activities at these facilities; 2) identification of barriers that may prevent this population from voting privately and independently; and 3) reviews and assessments of new and innovative technologies for assisting military personnel’s ability to participate in the electoral process.

**Accessible Voting Disability Technology Initiative**

The U.S. Election Assistance Commission has made available up to \$7,000,000 in grant funds for a three-year grant to fund research to identify and develop technological and administrative solutions that help ensure all citizens can vote privately and independently, a requirement of the Help America Vote Act (HAVA) of 2002 (42 U.S.C. §15441). This initiative will support research and development activities to increase the accessibility of new, existing, and emerging technological solutions in such areas as assistive technologies, interoperability, and design of voting systems.

**Pre-Election Logic and Accuracy and Post-Election Audit Initiative**

The U.S. Election Assistance Commission has made available up to \$2,000,000 in grant funds to develop and document processes and best practices for coordinating quality and cost-effective A) voting system pre-election logic and accuracy testing (L&A) and B) post-election audits. Funds will support the research, development, documentation, and dissemination of a range of procedures and processes used in managing and conducting high-quality L&A testing and post-election audit activities by type of voting method, vendor-specific equipment, jurisdiction size, or other ways. An additional amount of up to \$1,000,000 will be available to state and local entities that currently lack adequate funding or capacity for conducting pre-election logic and accuracy testing and post-election audits prior to the 2012 general elections to support the implementation of pilot programs funded under this funding notice.

# SECTION III

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## Other Accompanying Information

**III.A. MOST SERIOUS MANAGEMENT CHALLENGES FACING EAC ACCORDING TO THE INSPECTOR GENERAL**



**U.S. ELECTION ASSISTANCE COMMISSION**  
1201 New York Ave. NW - Suite 300  
Washington, DC 20005

October 13, 2011

Memorandum

To: The Commission

From: Curtis W. Crider *Curtis W. Crider*  
Inspector General

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

In accordance with the Reports Consolidation Act of 2000, I am submitting our annual statement summarizing what the Office of Inspector General (OIG) considers to be the most serious management and performance challenges facing the U.S. Election Assistance Commission (EAC). We have compiled this list based upon our audit, inspection and evaluation work; general knowledge of the agency's operations; and the reports of others such as the Government Accountability Office (GAO).

This year's management challenges fall into four categories: (1) performance management and accountability; (2) information technology management and security; (3) human capital management; and (4) records management. We have noted the progress that EAC has made on each of the challenges identified. In addition, we have designated the management challenge involving information technology management and security as resolved due to the remedial measures taken by the EAC to correct prior problems.

If you have any questions or need additional information, please call me at 202-566-3125.

Attachment

cc: Executive Director



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

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**U.S. ELECTION ASSISTANCE COMMISSION  
MANAGEMENT AND PERFORMANCE CHALLENGES  
FISCAL YEAR 2012**

**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 (FY) 2012, the OIG is reporting on four management and performance challenges facing the EAC. Each of these management challenges have been reported in prior years:

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

The OIG has assessed the EAC's progress with regard to the four previously issued challenges. Based upon reports provided by the EAC, the OIG deems that remedial measures have been taken to resolve one of the four management challenges, specifically the challenge involving information technology management and security. The OIG will continue to review and monitor the challenges performance management and accountability, human capital management and records management to determine whether steps have been taken to improve the agency's operations in these areas.



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**CHALLENGE 1: PERFORMANCE MANAGEMENT AND  
ACCOUNTABILITY**

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

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

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

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

***EAC's Progress***

EAC has made progress toward the development of a strategic direction for the agency as well as the implementing policies and procedures that flow from the strategic plan. The following is a listing of the activities that EAC has completed:<sup>1</sup>

- Adopted an agency-wide strategic plan
- Adopted a roles and responsibilities document that delineates responsibilities between the commissioners and the executive director

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<sup>1</sup> The EAC provided information regarding which of the policies and procedures have been finalized. The OIG has not conducted a follow up review to determine the adequacy or sufficiency of these documents.



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- Finalized a grants manual
- Finalized a travel handbook in
- Finalized an administrative manual that provides a broad overview of the statutes, regulations, policies, procedures, and other requirements Commissioners and staff follow when conducting the work of the Commission

The EAC has developed draft policies and procedures for its clearinghouse and communications division and is in the process of developing policies and procedures to comply with the National Voter Registration Act (NVRA). However, since December 2010 the EAC has not had a quorum of Commissioners, which may result in a delay in adopting new policies or procedures.

The Commissioners have the exclusive authority to determine Commission policy, defined as a "high-level determination, setting an overall agency goal/objective or otherwise setting rules, guidance or guidelines at the highest level." Due to a lack of a quorum, the Commission is unable to hold formal public meetings; adopt new policy; issue formal advisory opinions; accredit EAC Voting System Test Laboratories; act on appeals of (1) audit findings and recommendations, and (2) voting system certification denials or revocations; and modify or update the Voluntary Voting System Guidelines, NVRA regulations and presently existing NVRA registration form.

**CHALLENGE 2: INFORMATION TECHNOLOGY  
MANAGEMENT AND SECURITY**

In FY 2009, the OIG issued the following management challenge to the EAC:

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





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***EAC's Progress-RESOLVED***

EAC's FY 2011 FISMA audit found that the EAC was in substantial compliance with FISMA requirements. EAC implemented actions to address prior year's findings regarding Privacy Act requirements and established policies and procedures relative to its IT security program.

At this time, the OIG deems this management challenge resolved.

**CHALLENGE 3: HUMAN CAPITAL MANAGEMENT**

In FY 2009, the OIG issued the following management challenge:

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

For the past two years, EAC has participated in the government's annual employee survey. The results of these surveys identify critical weaknesses in EAC's human capital management efforts. The EAC employees have consistently expressed their dissatisfaction with ability of EAC leadership to generate high levels of motivation, to review and evaluate the organization's progress toward meeting goals and objectives, and to communicate the organization's goals and priorities. Employees did not report a sense of involvement in the decisions that impact their work, the policies and practices of the senior leaders, or that management shares information about what goes on the organization. Employees also do not believe that promotions and rewards are merit based or reflect how well



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the employee performs his/her job. Perhaps the most disturbing of the survey questions reports that the percentage of employees that feel that they can report a violation of law, rule or regulation without fear of reprisal fell from 55.6% in 2007 to 36.3% in 2008. The results of this survey show that EAC does not operate an employee-friendly work place and that its efforts to empower and include employees have fallen short. EAC must evaluate its personnel management strategy and its successes and failures to develop an approach toward human capital management that will ensure a qualified, satisfied work force is available to do the work necessary to fulfill its mission.

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

The OIG completed an investigation into allegations of retaliation and a hostile working environment at the EAC in FY 2010. The investigation concluded that there were no incidents of retaliation and that the EAC did not have a hostile working environment as defined by federal statutes. However, the investigation did reveal that the EAC continues to experience problems related to its human capital management, particularly:

- Employees expressed fear of retaliation or retribution.
- Employees have an apparent lack of confidence in reporting complaints to HR/EEO.
- EAC's implementation of a performance management system.
- Communications failures
- Dissatisfaction or distrust of supervisors or co-workers
- Perception of an us/them environment

These concerns were echoed by the results of the EAC's 2009 Annual Employee Survey. That survey showed that less than half of the EAC employees felt that:

- Promotions in their work units are based on merit (34%)
- Steps are taken to deal with poor performers (38%)



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- Pay raises depend on how employees perform their jobs (28%)
- Leaders generate high levels of motivation and commitment in the workforce (42%)
- Managers communicate the goals and priorities of the organization (45%)
- Employees have a feeling of personal empowerment with respect to work processes (34%)

The EAC reported improvement in its 2010 annual employee survey. The survey showed improvement in the number of positive responses to fourteen questions in comparison to the survey distributed in 2009 and that responses provided by EAC employees exceeded the government average on 15 questions. The EAC received the most positive responses regarding the following questions:

- My supervisor supports my need to balance work and family issues (97 percent positive)
- My workload is reasonable (94)
- The work I do is important (92)
- I like the kind of work I do (92)
- I know how my work relates to the agency's goals and priorities (92)
- Employees are protected from health and safety hazards on the job (81)
- Considering everything, how satisfied are you with your job (81)
- My work gives me a feeling of personal accomplishment (79)
- Considering everything how satisfied are you with your pay (78)
- The people I work with cooperate to get the job done (76)

The EAC received the least positive responses to the following questions:

- Pay raises depend on how well employees perform their jobs (30 percent positive)
- In my work unit, steps are taken to deal with a poor performer who cannot or will not improve (38)
- Promotions in my work unit are based on merit (41)
- In my work unit, differences in performance are recognized in a meaningful way (41)
- Creativity and innovation are rewarded (49)
- In my organization, leaders generate high levels of motivation and commitment in the workforce (50)
- How satisfied are you with the information you receive from management on what's going on in your organization (50)
- Managers communicate the goals and priorities of the organization (51)
- How satisfied are you with the policies and practices of your senior leaders (53)



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Based upon this information, human capital management continues to be a challenge for the EAC.

***EAC's Progress***

The EAC has developed draft human resource policies and procedures. According to EAC personnel, these policies and procedures are undergoing Commissioner review and have not been adopted or implemented by the Commission.

**CHALLENGE 4: RECORDS MANAGEMENT**

In FY 2010, the OIG issued the following management challenge:

Maintaining complete and accurate records of the operations, policy, procedure and practice of an agency are critical to the effective operation of the agency. Without these records, the agency cannot retain an institutional knowledge. The EAC, like many other federal government agencies, has seen turn over in its staff and leaders. Since its inception, the EAC has had seven Commissioners. Likewise, program directors have come and gone. Furthermore, retention of government records is mandated by federal law.

The EAC does not have an approved records retention schedule. Similarly, there are no procedures for management and retention of records being uniformly implemented at the EAC.

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. Since that time, the OIG has conducted several audits and evaluations of EAC and its programs that have revealed a continuing problem with maintaining records. Most recently, in 2010, the OIG audited a grant distributed by the EAC. EAC staff was unable to locate the file related to that grant. Furthermore, even after repeated requests for records related the grant, the EAC failed to provide even a single email from the previous grants director under whose administration the grant was awarded. The EAC disbursed payment on that grant without records of whether and to what extent the grantee had performed services commensurate with the grant proposal and award.

The continued failure to adopt and implement an approved system for records retention at the very least leaves the EAC vulnerable to suit by information requesters and at worst susceptible to waste, fraud, or abuse of its resources and



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the intentional destruction of government records in violation of federal law. The EAC must take immediate steps to adopt a records management system, obtain approval of that system from the National Archives and Records Administration, and train its staff on the proper retention of federal government records.

***EAC's Progress***

The EAC has published its Privacy Act systems of records, developed a draft policy regarding document retention and record preservation, and is working with NARA on a schedule for agency-specific records. The policy is currently being reviewed by the General Counsel.

**III.B. EAC'S RESPONSE TO THE MOST SERIOUS MANAGEMENT CHALLENGES  
FACING EAC ACCORDING TO THE INSPECTOR GENERAL**




U.S. Election Assistance Commission  
1201 New York Avenue, NW, Suite 300  
Washington, DC 20005

October 24, 2011

Memorandum

To: Curtis W. Crider  
Inspector General

From: Thomas R. Wilkey   
Executive Director

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

Attached herein please find the EAC's response to the Inspector General's Management and  
Performance Challenges.

If you have any questions or need additional information please call me at 202-566-3109.

cc: Commissioner Gineen Bresso  
Commissioner Donetta Davidson  
Annette Lafferty, CFO

**U.S. ELECTION ASSISTANCE COMMISSION  
RESPONSE TO THE OFFICE OF INSPECTOR GENERAL  
MANAGEMENT AND PERFORMANCE CHALLENGES  
FISCAL YEAR 2012**

**CHALLENGE 1: PERFORMANCE MANAGEMENT AND ACCOUNTABILITY**

**Management Response:**

Management concurs with OIG's conclusions on this issue.

**CHALLENGE 2: INFORMATION TECHNOLOGY MANAGEMENT AND SECURITY**

**Management Response:**

Management concurs with OIG's conclusions and is pleased with the outcome of the audit associated with this challenge.

**CHALLENGE 3: HUMAN CAPITAL MANAGEMENT**

**Management Response:**

Management is pleased with the progress made between the 2009 and 2010 employee surveys. Employee morale is affected by budget restraints and the uncertainty of the future of the agency as well as the continued lack of quorum for address needed policy issues.

**CHALLENGE 4: RECORDS MANAGEMENT**

**Management Response:**

The records retention management system is currently under review by EAC senior staff prior to implementation. Target date for completion of the review and implementation is by the end of this calendar year.

**III.C. IMPROPER PAYMENTS**

The Improper Payments Act requires each Federal agency to assess all programs and identify which, if any, may be subject to high risk with respect to improper payments. For fiscal year 2011, EAC does not believe that it has any programs where the erroneous payments could exceed 2.5 percent of program payments or \$10.0 million threshold (set in OMB Guidance) to trigger further agency action.

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

| <b>SUMMARY OF FISCAL YEAR 2011 FINANCIAL STATEMENT AUDIT</b> |  |                          |            |                 |                     |                       |
|--|--|--------------------------|------------|-----------------|---------------------|-----------------------|
| <b>Audit Opinion</b>   |  | <b>Unqualified</b>       |            |                 |                     |                       |
| <b>Restatement</b>   |  | <b>None</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>0</b>        | <b>0</b>            | <b>1</b>              |
| <b>TOTAL WEAKNESSES</b>                                      |  | <b>0</b>                 | <b>0</b>   | <b>0</b>        | <b>0</b>            | <b>1</b>              |
| <b>SUMMARY OF MANAGEMENT ASSURANCES</b>                      |  |                          |            |                 |                     |                       |
| <b>Statement of Assurance (FMFIA § 2)</b>                    |  | <b>Qualified</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>1</b>                 | <b>0</b>   | <b>0</b>        | <b>0</b>            | <b>1</b>              |
| <b>TOTAL</b>   |  | <b>1</b>                 | <b>0</b>   | <b>0</b>        | <b>0</b>            | <b>1</b>              |



