



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

FINAL REPORT:

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

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

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



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

OFFICE OF THE INSPECTOR GENERAL

November 14, 2018

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

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

Introduction

The Chief Financial Officer's (CFO) Act of 1990 (P.L. 101-576), as amended, requires the Inspector General for the U. S. Election Assistance Commission (EAC) or an independent external auditor, as determined by the Inspector General, to audit EAC's financial statements. The independent public accounting firm of Brown & Company CPAs, PLLC (Brown & Company) performed the audit of the EAC's financial statements under contract with the Office of Inspector General (OIG). The contract required the audit to be performed in accordance with auditing standards generally accepted in the United States of America; Government Auditing Standards issued by the Comptroller General of the United States; Office of Management and Budget (OMB) Bulletin 19-01, *Audit Requirements for Federal Financial Statements*; and the *Financial Audit Manual* issued jointly by the Council of the Inspectors General on Integrity and Efficiency (CIGIE) and the Government Accountability Office.

Results of Audit

In Brown & Company's opinion, the financial statements present fairly, in all material respects, the financial position of EAC as of September 30, 2018 and 2017, and its net costs, changes in net position, budgetary resources, and custodial activities for the years then ended, in accordance with accounting principles generally accepted in the United States of America. Within the limitations on the scope of their testing of controls and compliance as described in the report, Brown & Company also reported no material weaknesses in control and no instances of noncompliance with laws, regulations, or significant provisions of contracts or grant agreements.

Evaluation of Brown & Company's Audit Performance

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

- Reviewed Brown & Company's approach and planning of the audit;
- Evaluated the qualifications and independence of the auditors;
- Monitored the progress of the audit at key points;
- Coordinated periodic meetings with EAC management to discuss progress, findings, and recommendations;
- Reviewed Brown & Company's draft audit report;
- Performed other procedures we deemed necessary; and
- Coordinated issuance of the audit report.

Brown & Company is responsible for the attached auditor's report and the conclusions expressed in the report. Our review of the contractor's performance was not an audit of the financial statements, internal controls, or compliance, and was not sufficient to conclude on any of those subjects of the audit. Consequently, the OIG does not express any opinion on EAC's financial statements or conclusions on the effectiveness of internal control or compliance with laws, regulations, or provisions of contracts or grant agreements.

Report Distribution

The Inspector General Act of 1978, as amended, requires semiannual reporting to Congress on all reports issued, actions taken to implement recommendations, and recommendations that have not been implemented. Therefore, we will report the issuance of this audit report in our next semiannual report to Congress. The distribution of this report is not limited and copies are available for public inspection on the EAC OIG website (<https://www.eac.gov/inspector-general/>) and on CIGIE's oversight web page (<https://www.oversight.gov/>).

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

X 

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

Attachment

ELECTION ASSISTANCE COMMISSION

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

**FOR THE YEARS ENDED
SEPTEMBER 30, 2018 AND 2017**



**Prepared By
Brown & Company CPAs Management Consultants, PLLC
November 13, 2018**



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

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INDEPENDENT AUDITOR'S REPORT

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

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

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

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

Report on the Financial Statements

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

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

Management's Responsibility

EAC's management is responsible for (1) the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; (2) preparing, measuring, and presenting the RSI in accordance with U.S. generally accepted accounting principles; (3) preparing and presenting other information included in documents containing the audited financial statements and auditor's report, and ensuring the consistency of that information with the audited financial statements and the RSI; and (4) maintaining effective internal control over financial reporting, including the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. U.S. generally accepted government auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. We are also responsible for applying certain limited procedures to RSI and other information included with the financial statements.

An audit of financial statements involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the auditor's assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit of financial statements also involves evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audits also included performing such other procedures as we considered necessary in the circumstances.

Opinion on Financial Statements

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

Other Matters

Required Supplementary Information

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

Other Information

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

Report on Internal Control over Financial Reporting

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

Management's Responsibility

EAC's management is responsible for maintaining effective internal control over financial reporting, including the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Definition and Inherent Limitations of Internal Control over Financial Reporting

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

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

Results of Our Consideration of Internal Control over Financial Reporting

Our consideration of internal control was for the limited purpose described above, and was not designed to identify all deficiencies in internal control that might be material weaknesses and significant deficiencies or to express an opinion on the effectiveness of EAC's internal control over financial reporting. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Intended Purpose of Report on Internal Control over Financial Reporting

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

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

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

Management's Responsibility

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

Auditor's Responsibility

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

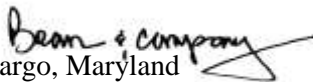
Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements

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

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

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

This report is intended solely for the information and use of the management of the EAC, OMB, and the U.S. Congress, and is not intended to be, and should not be, used by anyone other than these specified parties.


Largo, Maryland
November 13, 2018

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

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

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

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

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

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

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

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

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

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



Election Assistance Commission NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

The four EAC commissioners are appointed by the president and confirmed by the United States Senate. EAC currently has two commissioners. EAC is required to submit an annual report to Congress as well as testify periodically about HAVA progress and related issues. The commission also holds public meetings and hearings to inform the public about its progress and activities.

The EAC reporting entity is comprised of General Funds.

General Funds are accounts used to record financial transactions arising under

congressional appropriations or other authorizations to spend general revenues. EAC manages Salaries and Expenses, Election Reform Program and Election Data Collection, Election Security Grants General Fund accounts.

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

B. Basis of Presentation

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

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

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

C. Basis of Accounting

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

D. Fund Balance with Treasury

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

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

E. Accounts Receivable

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

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

F. Property, Equipment, and Software

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

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

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

G. Advances and Prepaid Charges

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

governmental, as well as governmental, vendors.

H. Liabilities

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

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

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

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

I. Annual, Sick, and Other Leave

Annual leave is accrued as it is earned, and the accrual is reduced as leave is taken. The balance in the accrued leave account is adjusted to reflect current pay rates. Liabilities associated with other types of vested leave, including compensatory, restored leave, and sick leave in certain circumstances, are accrued at year-end, based on latest pay rates and unused hours of leave. Funding will be obtained from future financing sources to the extent that current or prior year appropriations are not available to fund annual and other types of vested leave earned but not taken. Nonvested leave is expensed when used. Any liability for sick leave that is accrued but not taken by a Civil Service Retirement System (CSRS)-covered employee is transferred to the Office of Personnel Management (OPM) upon the retirement of that individual. Credit is given for sick leave balances in the computation of annuities upon the retirement of Federal Employees Retirement System (FERS)-covered employees effective at 50% beginning FY 2010 and 100% in 2015.

J. Accrued and Actuarial Workers' Compensation

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

K. Retirement Plans

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

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

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

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

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

responsibility of the OPM, as the administrator.

L. Other Post-Employment Benefits

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

M. Use of Estimates

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

N. Imputed Costs/Financing Sources

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

O. Grants

The EAC administers and oversees the grant making process in connection with federal Requirement Payments and grants made to recipient organizations and the HAVA. As Requirement Payments and grants are awarded, they are recorded as obligations and represent uses of budgetary resources.

Payments made under the grant awards for expenditures already incurred by the recipients are fully expended and are included in the statement of net costs. Grant awards made to grantees in advance of expenditures are recorded as advances and are included in the balance sheet.

NOTE 2. FUND BALANCE WITH TREASURY

Fund balance with Treasury account balances as of September 30, 2018 and 2017, were as follows:

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

No discrepancies exist between the Fund Balance reflected on the Balance Sheet and the balances in the Treasury accounts.

The available unobligated fund balances represent the current-period amount available for obligation or commitment.

The unavailable unobligated fund balances represent the amount of appropriations for which the period of availability for obligation has expired. These balances are available for upward adjustments of obligations incurred only during the period for which the appropriation was available for obligation or for paying claims attributable to the appropriations.

The obligated balance not yet disbursed includes accounts payable, accrued expenses, and undelivered orders that have reduced unexpended appropriations but have not yet decreased the fund balance on hand (see also Note 12).

NOTE 3. ACCOUNTS RECEIVABLE

Accounts receivable balances as of September 30, 2018 and 2017, were as follows:

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

The accounts receivable is primarily made up of moneys due from funds that had been advanced for services that were not used and employee receivables.

Historical experience has indicated that the majority of the receivables are collectible. There are no material uncollectible accounts as of September 30, 2018 and 2017.

NOTE 4. ADVANCES AND PREPAYMENTS

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

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

NOTE 5. PROPERTY, EQUIPMENT, AND SOFTWARE

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

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

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

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

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

NOTE 6. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The liabilities for EAC as of September 30, 2018 and 2017, include liabilities not covered by budgetary resources. Congressional action is needed before budgetary resources can be provided. Although future appropriations to fund these liabilities are likely and anticipated, it is not certain that appropriations will be enacted to fund these liabilities.

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

FECA liabilities represent the unfunded liability for actual workers compensation claims on EAC's behalf and payable to the DOL.

Unfunded leave represents a liability for earned leave and is reduced when leave is taken. The balance in the accrued annual leave account is reviewed quarterly and adjusted as needed to accurately reflect the liability at current pay rates and leave balances. Accrued annual leave is paid from future funding sources and, accordingly, is reflected as a liability not covered by budgetary resources. Sick and other leave is expensed as taken.

NOTE 7. OTHER LIABILITIES

Other liabilities account balances as of September 30, 2018 were as follows:

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

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

	Current	Non Current	Total
Intragovernmental			
Payroll Taxes Payable	37,295	-	37,295
Total Intragovernmental Other Liabilities	\$ 37,295	\$ -	\$ 37,295
With the Public			
Payroll Taxes Payable	\$ 6,185		\$ 6,185
Accrued Funded Payroll and Leave	149,051	-	149,051
Unfunded Leave	232,905	-	232,905
Custodial Liability	75		75
Total Public Other Liabilities	\$ 388,216	\$ -	\$ 388,216

NOTE 8. LEASES

EAC has no capital leases. EAC relocated from its headquarters office located at 1201 New York Avenue NW, Suite 300, Washington, DC, on November 1, 2013. EAC also ended the lease for additional space at 1225 New York Avenue NW, Washington, DC, at the same time. EAC entered into a new lease for its headquarters office located at 1335 East-West Highway, Silver Spring, MD, which expires on or around November 1, 2018.

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

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

Scheduled of Future Lease Payments

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

NOTE 9. INTRA-GOVERNMENTAL COSTS AND EXCHANGE REVENUE

Intra-governmental costs and revenue represent exchange transactions between EAC and other federal government entities, and are in contrast to those with non-federal entities (the public). Such costs and revenue are summarized as follows:

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

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

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

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

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

NOTE 11. APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED

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

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

Category B apportionments typically distribute budgetary resources by activities, projects, objects or a combination of these categories.

NOTE 12. UNDELIVERED ORDERS AT THE END OF THE PERIOD

For the twelve months ended September 30, 2018 and 2017, budgetary resources obligated for undelivered orders are as follows:

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

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

NOTE 13. RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

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

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

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

NOTE 14. REQUIREMENT PAYMENTS AND GRANT PROGRAMS

The largest of the EAC grant programs is the Help American Vote Act (HAVA) Section 251 Requirements Payments to the states to help them meet the Title III requirements of HAVA. EAC's discretionary grants have been completed and closed. Also, the Consolidated Appropriations Act of 2018 was signed into law, making the EAC responsible for distributing \$380 million of Election Security Grants to states to improve the administration of federal elections

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

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

NOTE 15. CUSTODIAL ACTIVITY

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

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

A cash collection for an employee in the amount of \$75 (\$15.36 original debt plus \$59.64 in fees and interest) was not reported for debt collection in the timeframe prescribed by the Debt Collection Improvement Act. The collection was deducted from the employee's final paycheck.

What is the OIG mission?

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

How can I obtain copies of OIG reports?

Copies of OIG reports are available at the EAC OIG website:

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

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

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

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

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

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

E-mail: eacoig@eac.gov

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

FAX: 301-734-3115

