

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



**U.S. ELECTION ASSISTANCE COMMISSION
FINANCIAL STATEMENTS FOR
FY 2016 AND FY 2015**

**No. I-PA-EAC-01-16
NOVEMBER 2016**



U.S. ELECTION ASSISTANCE COMMISSION
OFFICE OF INSPECTOR GENERAL
1335 East West Highway - Suite 4300
Silver Spring, MD 20910

November 10, 2016

Memorandum

To: Thomas Hicks

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

From: Patricia Layfield
Inspector General, U.S. Election Assistance Commission

Subject: Audit of the U.S. Election Assistance Commission's Financial Statements for Fiscal Year 2016 (Assignment No. I-PA-EAC-01-16)

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 15-02, *Audit Requirements for Federal Financial Statements*; and the Financial Audit Manual issued jointly by the Council of the Inspectors General on Integrity and Efficiency and the Government Accountability Office.

Results of Audit

In Brown & Company's opinion, the financial statements present fairly, in all material respects, the financial position of EAC as of September 30, 2016 and 2015, and its net costs, changes in net position, budgetary resources, and custodial activities for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

In its response to the draft audit report, EAC agreed with the facts stated in the report and the audit results.

Evaluation of Brown & Company's Audit Performance

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

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

Brown & Company is responsible for the attached auditor's report and the conclusions expressed in the report. We do not express any opinion on EAC's financial statements or conclusions on the effectiveness of internal control, or compliance with laws and regulations.

Report Distribution

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

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.

Attachment

ELECTION ASSISTANCE COMMISSION

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

**FOR THE YEARS ENDED
SEPTEMBER 30, 2016 AND 2015**



**Prepared By
Brown & Company CPAs Management Consultants, PLLC
November 10, 2016**



**ELECTION ASSISTANCE COMMISSION
INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016 AND 2015**

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BROWN & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS, PLLC

INDEPENDENT AUDITOR'S REPORT

U.S. Election Assistance Commission
Silver Spring, MD

Report on the Financial Statements

We have audited the accompanying balance sheet of the U.S. Election Assistance Commission (EAC) as of September 30, 2016 and 2015, and the related statements of net cost, changes in net position, budgetary resources, and custodial activity for the year then ended (collectively referred to as the financial statements), and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted government auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Office of Management and Budget (OMB) Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 15-02, require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit includes test of compliance with provisions of applicable laws, regulations, contracts, and grant agreements that have a direct effect on the determination of material amounts and disclosure in the financial statements. The purpose was not to provide an opinion on compliance with provisions of applicable laws, regulations, contracts and grant agreements and, therefore, we do not express such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the Financial Statements

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of EAC as of September 30, 2016 and 2015, and its net costs, changes in net position, budgetary resources, and custodial activity for the years then ended, in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the information in the *Management's Discussion and Analysis* (MD&A) and *Required Supplementary Information* (RSI) sections be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Federal Accounting Standards Advisory Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted government auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. *The Message From The Chairman, Message From The CFO* and the Other Information sections are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered EAC's internal control over financial reporting (internal control) to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of providing an opinion on internal control. Accordingly, we do not express such an opinion.

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

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. During the audit of the financial statements, no deficiencies in internal control were identified that were considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether EAC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. We limited our tests of compliance to the provisions described in the preceding sentence, and we did not test compliance with all laws, regulations and contracts applicable to EAC. The objective was not to provide an opinion on compliance with those provisions of laws, regulations, contracts and grant agreements, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* or OMB Bulletin No. 15-02.

Management's Responsibility for Internal Control and Compliance

EAC's management is responsible for (1) evaluating effectiveness of internal control over financial reporting based on criteria established under the Federal Managers Financial Integrity Act (FMFIA), (2) providing a statement of assurance on the overall effectiveness of internal control over financial reporting, and (3) ensuring compliance with other applicable laws and regulations.

Auditor's Responsibilities

We are responsible for (1) obtaining a sufficient understanding of internal control over financial reporting to plan the audit, (2) testing compliance with certain provisions of laws and regulations that have a direct and material effect on the financial statements and applicable laws for which OMB Bulletin 15-02 requires testing, and (3) applying certain limited procedures with respect to the MD&A and other RSI.

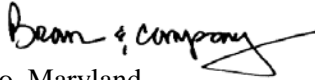
We did not evaluate all internal controls relevant to operating objectives as broadly established by the FMFIA, such as those controls relevant to preparing statistical reports and ensuring efficient operations. We limited our internal control testing to testing internal control over financial reporting. Because of inherent limitations in internal control, misstatements due to error or fraud, losses, or noncompliance may nevertheless occur and not be detected. We also caution that projecting our audit results to future periods is subject to risk that controls may become inadequate because of changes in conditions or that the degree of compliance with controls may deteriorate. In addition, we caution that our internal control testing may not be sufficient for other purposes.

We did not test compliance with all laws and regulations applicable to EAC. We limited our tests of compliance to certain provisions of laws and regulations that have a direct and material effect on the financial statements and those required by OMB Bulletin 15-02 that we deemed applicable to EAC's financial statements for the fiscal year ended September 30, 2016. We caution that noncompliance with laws and regulations may occur and not be detected by these tests and that such testing may not be sufficient for other purposes.

Purpose of the Report on Internal Control over Financial Reporting and the Report on Compliance and Other Matters

The purpose of the Report on Internal Control over Financial Reporting and the Report on Compliance and Other Matters sections of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of EAC's internal control or on compliance. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering EAC's internal control and compliance. Accordingly, these reports are not suitable for any other purpose.

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



Largo, Maryland
November 10, 2016



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

MEMORANDUM

To: Patricia L. Layfield, Inspector General **Date:** November 3, 2016

From: Thomas Hicks
Chairman 

Subject: Election Assistance Commission Response to the Draft Audit Report of the U.S.
Election Assistance Commission's Financial Statements for Fiscal Year 2016
(Assignment No. I-PA-EAC-01-16)

We have reviewed the Draft Audit Report and concur with the facts stated in the report and the results of the audit. Thank you for giving us the opportunity to respond to the auditor's report. We also appreciate your cooperation and assistance, as well as the auditor's, throughout the FY 2016 financial statement audit process.

FINANCIAL STATEMENTS AND NOTES

ELECTION ASSISTANCE COMMISSION

**BALANCE SHEET
AS OF SEPTEMBER 30, 2016 AND 2015
(In Dollars)**

	2016	2015
Assets:		
Intragovernmental		
Fund Balance With Treasury (Note 2)	\$ 15,415,600	\$ 21,932,149
Investments	-	-
Accounts Receivable	-	-
Loans Receivable	-	-
Other (Note 4)	999,687	363,506
Total Intragovernmental	16,415,287	22,295,655
Cash, and Other Monetary Assets	-	-
Investments	-	-
Accounts Receivable, Net (Note 3)	20	(30)
Taxes Receivable, Net	-	-
Loans Receivable and Related Foreclosed Property, Net	-	-
Inventory and Related Property, Net	-	-
Property, Equipment, and Software, Net (Note 5)	335,063	500,906
Other	-	-
Total Assets	\$ 16,750,370	\$ 22,796,531
Stewardship PP&E		
Liabilities:		
Intragovernmental		
Accounts Payable	\$ 63,859	\$ 89,124
Debt	-	-
Other	28,979	22,091
Total Intragovernmental	92,838	111,215
Accounts Payable	332,772	104,271
Loan Guarantee Liability	-	-
Debt Held By The Public	-	-
Federal Employee and Veterans' Benefits	-	-
Environmental Cleanup and Disposal Liabilities	-	-
Benefits Due and Payable	-	-
Other (Note 7)	557,524	550,381
Total Liabilities (Note 6)	\$ 983,134	\$ 765,867
Commitments and Contingencies		
Net Position:		
Unexpended Appropriations - Funds from Dedicated Collections (Note 15)	\$ -	\$ -
Unexpended Appropriations - Other Funds	\$ 15,654,783	\$ 21,761,683
Cumulative Results of Operations - Funds from Dedicated Collections	-	-
Cumulative Results of Operations - Other Funds	112,453	268,981
Total Net Position	\$ 15,767,236	\$ 22,030,664
Total Liabilities and Net Position	\$ 16,750,370	\$ 22,796,531

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

ELECTION ASSISTANCE COMMISSION
STATEMENT OF CHANGES IN NET POSITION
FOR THE TWELVE MONTHS ENDING SEPTEMBER 30, 2016 AND 2015
(In Dollars)

	2016	2015
Program Costs:		
Communication and Clearinghouse Gross Costs	\$ 900,228	\$ 7,753,624
Fund and Oversee Gross Costs	\$ 6,343,333	\$ 3,354,323
Research, Policy, and Programs Gross Costs	\$ 1,268,535	\$ 1,209,795
Testing and Certifications Gross Costs	\$ 2,327,712	\$ 2,348,901
Net Cost of Operations	\$ 10,839,808	\$ 7,666,643

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

ELECTION ASSISTANCE COMMISSION

**STATEMENT OF CHANGES IN NET POSITION
FOR THE TWELVE MONTHS ENDING SEPTEMBER 30, 2016 AND 2015**

(In Dollars)

	2016	2015
Cumulative Results of Operations:		
Beginning Balances	\$ 268,981	\$ 675,009
Adjustments		
Changes In Accounting Principles	-	-
Corrections of Errors	-	-
Beginning Balances, as Adjusted	268,981	675,009
Budgetary Financing Sources:		
Other Adjustments	-	-
Appropriations Used	10,505,624	7,021,479
Nonexchange Revenue	-	-
Donations and Forfeitures of Cash and Cash Equivalents	-	-
Transfers In/Out Without Reimbursement	-	-
Other	-	-
Other Financing Sources (Non-Exchange):		
Donations and Forfeitures of Property	-	-
Transfers In/Out Reimbursement	-	-
Imputed Financing Sources	177,656	239,136
Total Financing Sources	10,683,280	7,260,615
Net Cost of Operations	(10,839,808)	(7,666,643)
Net Change	(156,528)	(406,028)
Cumulative Results of Operations	\$ 112,453	\$ 268,981
Unexpended Appropriations:		
Beginning Balances	\$ 21,761,683	\$ 21,657,604
Adjustments		
Changes In Accounting Principles	-	-
Corrections of Errors	-	-
Beginning Balances, as Adjusted	21,761,683	21,657,604
Budgetary Financing Sources:		
Appropriations Received	9,600,000	10,000,000
Appropriations Transferred In/Out	(1,500,000)	(1,900,000)
Other Adjustments	(3,701,276)	(974,442)
Appropriations Used	(10,505,624)	(7,021,479)
Total Budgetary Financing Sources	(6,106,900)	104,079
Total Unexpended Appropriations	\$ 15,654,783	\$ 21,761,683
Net Position	\$ 15,767,236	\$ 22,030,664

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

ELECTION ASSISTANCE COMMISSION

**STATEMENT OF BUDGETARY RESOURCES
FOR THE TWELVE MONTHS ENDING SEPTEMBER 30, 2016 AND 2015**

(In Dollars)

	2016	2015
Budgetary Resources:		
Unobligated Balance Brought Forward, October 1	\$ 14,723,380	\$ 13,476,424
<u>Adjustment to Unobligated Balance Brought Forward, October 1</u>	<u>-</u>	<u>-</u>
Unobligated Balance Brought Forward, October 1, as adjusted	14,723,380	13,476,424
Recoveries of Prior Year Unpaid Obligations	454,338	370,805
<u>Other changes in unobligated balance</u>	<u>(3,701,275)</u>	<u>(974,442)</u>
Unobligated balance from prior year budget authority, net	11,476,443	12,872,787
Appropriations	8,100,000	8,100,000
Borrowing authority	-	-
Contract Authority	-	-
Spending authority from offsetting collections	10,995	23,727
<u>Total Budgetary Resources</u>	<u>\$ 19,587,438</u>	<u>\$ 20,996,514</u>
Status of Budgetary Resources:		
Obligations Incurred	\$ 9,782,372	\$ 6,273,134
Unobligated balance, end of year:		
Apportioned	1,869,503	5,121,218
Exempt from apportionment	-	-
Unapportioned	7,935,563	9,602,162
<u>Total unobligated balance, end of year</u>	<u>9,805,066</u>	<u>14,723,380</u>
<u>Total Budgetary Resources</u>	<u>\$ 19,587,438</u>	<u>\$ 20,996,514</u>
Change in Obligated Balance		
Unpaid Obligations:		
Unpaid Obligations, Brought Forward, October 1	\$ 7,208,769	\$ 8,675,382
Adjustment to Unpaid Balance, Start of Year	-	-
Obligations Incurred	9,782,372	6,273,134
Outlays (gross)	(10,926,269)	(7,368,942)
Actual transfers, unpaid obligations	-	-
Recoveries of Prior Year Unpaid Obligations	(454,338)	(370,805)
Unpaid Obligations, End of Year (Gross)	5,610,534	7,208,769
Uncollected payments:		
Uncollected Customer Payments, Federal Sources, Brought Forward, October 1	-	-
Adjustment to Uncollected Customer Payments, Federal Sources, Start of Year	-	-
Change in Uncollected Payments, Federal Sources	-	-
Actual transfers, uncollected customer payments, Federal Sources	-	-
Uncollected Customer Payments, Federal Sources, End of Year	-	-
Memorandum entries:		
<u>Obligated Balance, Start of Year</u>	<u>\$ 7,208,769</u>	<u>\$ 8,675,382</u>
<u>Obligated Balance, End of Year</u>	<u>\$ 5,610,534</u>	<u>\$ 7,208,769</u>
Budget Authority and Outlays, Net:		
Budget authority, gross	\$ 8,110,995	\$ 8,123,727
Actual offsetting collections	(10,995)	(23,727)
Change in Uncollected Payments, Federal Sources	-	-
Anticipated offsetting collections	-	-
<u>Budget Authority, net, (total)</u>	<u>\$ 8,100,000</u>	<u>\$ 8,100,000</u>
Outlays, gross	\$ 10,926,269	\$ 7,368,942
<u>Actual offsetting collections</u>	<u>(10,995)</u>	<u>(23,727)</u>
Outlays, net, (total)	10,915,274	7,345,215
Distributed Offsetting Receipts	-	-
<u>Agency outlays, net</u>	<u>\$ 10,915,274</u>	<u>\$ 7,345,215</u>

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

ELECTION ASSISTANCE COMMISSION

**STATEMENT OF CUSTODIAL ACTIVITY
FOR THE TWELVE MONTHS ENDING SEPTEMBER 30, 2016 AND 2015
(In Dollars)**

	2016	2015
Revenue Activity:		
Sources of Cash Collections:		
Individual Income and FICA/SECA Taxes	\$ -	\$ -
Corporate Income Taxes		
Excise Taxes	-	-
Estate and Gift Taxes		
Federal Unemployment Taxes		
Customs Duties		
Miscellaneous	-	2,266,086
Total Cash Collections (Note 15)	-	2,266,086
Accrual Adjustments	-	(2,266,085)
Total Custodial Revenue	-	1
Disposition of Collections:		
Transferred to Others (by Recipient)	-	1
Increase/(Decrease) in Amounts Yet to be Transferred	-	-
Refunds and Other Payments	-	-
Retained by the Reporting Entity	-	-
Net Custodial Activity	\$ -	\$ -

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



Election Assistance Commission NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The U.S. Election Assistance Commission (EAC) is an independent, bipartisan commission charged with developing guidance to meet the Help America Vote Act (HAVA) of 2002 requirements, adopting voluntary voting system guidelines, and serving as a national clearinghouse of information about election administration. EAC also accredits voting system testing laboratories and certifies voting systems, and 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.

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.

The EAC reporting entity is comprised of General Funds. General Funds are accounts used to record financial transactions arising under congressional appropriations or other authorizations to spend general revenues. EAC manages Salaries and Expenses, Election Reform Program and Election Data Collection Grants General Fund accounts.

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

B. Basis of Presentation

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

The 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 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 EAC's funds with Treasury in expenditure accounts. Appropriated funds recorded in expenditure accounts are available to pay current liabilities and finance authorized purchases.

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 provided by other Federal Agencies. When the period of performance for these services expires without fulfillment of the contract, a receivable is recorded. All unused funds that have not been returned are recorded as 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 two 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:

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

G. Advances and Prepaid Charges

On occasion, EAC prepaays 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. 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 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 represent 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 that are not paid until the next fiscal year. EAC also accrues liabilities for HAVA Section 251 requirements payments. See the required supplementary stewardship information for more information about 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 the 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. Non-vested 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 at 100%.

J. Accrued and Actuarial Workers' Compensation

The Federal Employees' Compensation Act (FECA) administered by the U.S. Department of Labor (DOL) addresses any claims brought by EAC employees for on-the-job injuries. 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 EAC terminates without cause may receive unemployment compensation benefits under the unemployment insurance program also administered by 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 CSRS or 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 recognizes 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 OPM, as the plan 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 (FEGLIP) may continue to participate in these programs after their retirement. OPM has provided EAC with certain cost factors that estimate the true cost of providing the post-retirement benefit to current employees. EAC recognizes a current cost for these and Other Retirement Benefits (ORB) at the time employee services are rendered. The ORB expense is financed by OPM, and offset by 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 2016 and 2015 to the extent directed by accounting standards.

O. Grants

EAC administers and oversees the grant making process in connection with federal Requirement Payments and, in prior years, grants made to recipient organizations. 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, 2016 and 2015, were as follows:

	2016	2015
Fund Balances:		
Appropriated Funds	\$ 15,415,600	\$ 21,932,149
Total	\$ 15,415,600	\$ 21,932,149
Status of Fund Balance with Treasury:		
Unobligated Balance		
Available	\$ 1,869,503	\$ 5,121,218
Unavailable	7,935,563	9,602,162
Obligated Balance Not Yet Disbursed	5,610,534	7,208,769
Total	\$ 15,415,600	\$ 21,932,149

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, 2016 and 2015, were as follows:

	2016	2015
Intragovernmental		
Accounts Receivable	\$ -	\$ -
With the Public		
Accounts Receivable	-	-
Employee Receivables	20	(30)
Total Accounts Receivable	\$ 20	\$ (30)

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, 2016 and 2015.

NOTE 4. ADVANCES AND PREPAYMENTS

Advances and Prepayments balances as of September 30, 2016 and 2015, were as follows:

	2016	2015
Intragovernmental		
Advances and Prepayments	\$ 999,687	\$ 363,506
With the Public		
Advances and Prepayments	-	-
Total Other Assets	\$ 999,687	\$ 363,506

NOTE 5. PROPERTY, EQUIPMENT, AND SOFTWARE

The Schedule of Property, Equipment, and Software as of September 30, 2016 was as follows:

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

The Schedule of Property, Equipment, and Software as of September 30, 2015 was:

Major Class	Acquisition Cost	Accumulated Amortization/ Depreciation	Net Book Value
Leasehold Improvements	\$ 1,203,003	\$ 928,114	\$ 274,889
Furniture & Equipment	902,626	766,758	135,868
Software	172,721	162,464	10,257
Construction-in-Progress	-	N/A	-
Software-in-Development	79,892	N/A	79,892
Total	\$ 2,358,242	\$ 1,857,336	\$ 500,906

Depreciation expense was \$212,571 and \$393,592 for the twelve months ending September 30, 2016 and 2015, respectively.

NOTE 6. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The liabilities for EAC as of September 30, 2016 and 2015, 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.

Federal Employees' Compensation Act liabilities represent the unfunded liability for actual workers compensation claims on EAC's behalf and payable to 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.

	2016	2015
Intragovernmental – FECA	\$ 234	\$ 234
Intragovernmental – Unemployment Insurance	-	-
Unfunded Leave	222,396	236,261
Total Liabilities Not Covered by Budgetary Resources	\$ 222,630	\$ 236,495
Total Liabilities Covered by Budgetary Resources	760,504	529,372
Total Liabilities	\$ 983,134	\$ 765,867

NOTE 7. OTHER LIABILITIES

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

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

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

Other liabilities account balances as of September 30, 2015 were as follows:

	Current	Non Current	Total
Intragovernmental			
FECA Liability	\$ 738	\$ -	\$ 738
Unemployment Insurance Liability	-	-	-
Payroll Taxes Payable	21,353	-	21,353
Total Intragovernmental Other Liabilities	\$ 22,091	\$ -	\$ 22,091
With the Public			
Payroll Taxes Payable	\$ 3,100	\$ -	\$ 3,100
Accrued Funded Payroll and Leave	103,336	-	103,336
Unfunded Leave	236,261	-	236,261
Custodial Liability	-	-	-
Other Liabilities w/related Budgetary Ob	207,684	-	207,684
Total Public Other Liabilities	\$ 550,381	\$ -	\$ 550,381

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.

Schedule of Future Lease Payments

Fiscal Year	Building	Totals
2017	\$ 238,100	\$ 238,100
2018	19,863	19,863
2019	-	-
2020	-	-
Thereafter	-	-
Total Future Payments	\$ 257,963	\$ 257,963

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

NOTE 9. INTRA-GOVERNMENTAL COSTS AND EXCHANGE REVENUE

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

	2016	2015
Communications and Clearinghouse		
Intragovernmental Costs	\$ 141,908	\$ 190,573
Public Costs	758,320	563,051
Total Costs	900,228	753,624
Fund and Oversee		
Intragovernmental Costs	\$ 999,938	\$ 848,225
Public Costs	5,343,395	2,506,098
Total Costs	6,343,333	3,354,323
Research, Policy, and Programs		
Intragovernmental Costs	\$ 199,967	\$ 305,927
Public Costs	1,068,568	903,868
Total Costs	1,268,535	1,209,795
Testing and Certifications		
Intragovernmental Costs	\$ 366,931	\$ 593,979
Public Costs	1,960,781	1,754,922
Total Costs	2,327,712	2,348,901
Total Intragovernmental Costs	1,708,745	1,938,704
Total Public Costs	9,131,063	5,727,939
Total Net Cost	\$ 10,839,808	\$ 7,666,643

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

The President's Budget that will include fiscal year 2016 actual budgetary execution information has not yet been published. The President's Budget is scheduled for publication in February 2018 and can be found at the OMB Web site: <http://www.whitehouse.gov/omb/>. The 2017 Budget of the United States Government, with the "Actual" column completed for 2015, has been reconciled to the Statement of Budgetary Resources and there were no material differences.

The budget that includes the fiscal year 2015 actual execution information is as follows:

FY2015	Budgetary Resources	Obligations Incurred	Net Outlays
Statement of Budgetary Resources	\$20,996,514	\$ 6,273,134	\$7,345,215
Spending Authority from Offsetting			
Collections	23,727		
Unobligated Balance Not Available	9,602,162		
Rounding	(370,625)	(273,134)	(345,215)
Budget of the U.S. Government	\$11,000,000	\$6,000,000	\$7,000,000

NOTE 11. APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED

Obligations incurred and reported in the Statement of Budgetary Resources in 2016 and 2015 consisted of the following:

	2016	2015
Direct Obligations, Category B	\$ 9,782,372	\$ 6,273,134
Total Obligations Incurred	\$ 9,782,372	\$ 6,273,134

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, 2016 and 2015, budgetary resources obligated for undelivered orders are as follows:

	2016	2015
Undelivered Orders	\$ 5,849,717	\$ 7,038,302
Total Undelivered Orders	\$ 5,849,717	\$ 7,038,302

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:

	2016	2015
Resources Used to Finance Activities		
Budgetary Resources Obligated		
Obligations Incurred	\$ 9,782,372	\$ 6,273,134
Spending Authority from Offsetting Collections and Recoveries	(465,333)	(394,532)
Obligations Net of Offsetting Collections and Recoveries	9,317,039	5,878,602
Other Resources		
Transfers in/out Without Reimbursement	-	-
Imputed Financing from Costs Absorbed by Others	177,656	239,136
Net Other Resources Used to Finance Activities	177,656	239,136
Total Resources Used to Finance Activities	9,494,695	6,117,738
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	1,132,593	1,149,218
Total Resources Used to Finance the Net Cost of Operations	10,627,288	7,266,956
Generate Resources in the Current Period	212,520	399,687
Net Cost of Operations	\$10,839,808	\$ 7,666,643

NOTE 14. REQUIREMENT PAYMENTS AND GRANT PROGRAMS

The largest of EAC's 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 and carry out other activities to improve the administration of elections for Federal office after certain certifications. Section 251 funds are available until expended in the Election Reform Program no year account. EAC's discretionary grants, Accessible Voting Technology (including Military Heroes), Logic and Accuracy Grants, College Poll Worker and Mock Election Grants, are completed and have been closed.

	2016	2015
FY 2009 Section 251 Requirement Payments	\$	\$ 500,000
FY 2010 Section 251 Requirement Payments	1,557,242	350,000
FY 2011 Section 251 Requirement Payments	40,034	80,066
Accessible Voting Technology	246,962	
Logic and Accuracy Grant Program	2,010,998	(17,638)
Net Cost of Operations	\$ 3,855,236	\$ 912,428

During FY 2016, EAC received a Logic and Accuracy Grant payment return in the amount of \$1,502.54, and an Accessible Voting Technology return of \$6,604.84. EAC disbursed \$6,454 in Section 251 Requirements Payments to both South Carolina and the District of Columbia, and \$1,584,368 to Massachusetts. The balance of funds was disbursed pursuant to an FY 2016 appropriations amendment.

NOTE 15. CUSTODIAL CASH COLLECTIONS

During October 2013, Election Assistance Commission (EAC) disbursed a \$2.2 million Requirements payment as part of section 251 of the Help America Vote Act (HAVA). The payment was made against funds that cancelled September 2013. EAC collected the improper payment through Treasury Offset in June, 2015. Funds were disbursed pursuant to an amendment in P.L. 114-113 in May, 2016, closing the custodial activity.

	2016	2015
Miscellaneous	\$ -	\$2,266,086
Total Cash Collections	\$ -	\$2,266,086

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Office of Inspector General
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Silver Spring, MD 20910

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Office of Inspector General
1335 East West Highway – Suite 4300
Silver Spring, MD 20910

E-mail: eacoig@eac.gov

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Inspector General

U.S. Election Assistance Commission

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