

SEMIANNUAL REPORT TO CONGRESS

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



*For the Period:
October 1, 2011, through
March 31, 2012*

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



1201 New York Ave. NW – Suite 300
Washington, DC 20005

April 30, 2012

To: Acting Executive Director, U.S. Election Assistance Commission

The Inspector General Act of 1978 (Public Law 95-452), as amended, calls for the preparation of semiannual reports to the Congress summarizing the activities of the Office of Inspector General (OIG) for the six-month periods ending each March 31st and September 30th. I am pleased to enclose the report for the period from October 1, 2011 to March 31, 2012.

The Act requires that you transmit the report to the appropriate committees of the Congress within 30 days of receipt, together with any comments you may wish to make. Comments that you might offer should be included in your management report that is required to be submitted along with the Inspector General's report.

Working together, I believe we have taken positive steps to improve Commission programs and operations.

Sincerely,

A handwritten signature in blue ink that reads "Curtis W. Crider".

Curtis W. Crider
Inspector General

Table of Contents

	<u>Page</u>
Election Assistance Commission Profile	<u>1</u>
Office of Inspector General Profile	<u>2</u>
EAC Audits	<u>3</u>
Other Activities	<u>5</u>
Appendices:	
A. Reports Issued	<u>7</u>
B. Monetary Impact of Audit Activities	<u>8</u>
C. Reports with Questioned Costs	<u>9</u>
D. Reports with Potential Additional Program Funds	<u>10</u>
E. Summary of Reports More Than Six Months Old Pending Corrective Action at March 31, 2012	<u>11</u>
F. Summary of Reports More Than Six Months Old Pending Management Decision at March 31, 2012	<u>12</u>
G. Reporting Requirements of the Inspector General Act	<u>13</u>

Election Assistance Commission Profile

The U.S. Election Assistance Commission (EAC or Commission) is a bipartisan, independent commission consisting of four members. The Help America Vote Act of 2002 specifies that commissioners are nominated by the President on recommendations from the majority and minority leadership in the U.S. House and U.S. Senate. Once confirmed by the full Senate, commissioners may serve two consecutive terms and no more than two commissioners may belong to the same political party. There are four vacancies on the commission.

The EAC was to assist states with improving the administration of elections for Federal office. The EAC accomplishes this mission by providing funding, innovation, guidance and information to be used by the states to purchase voting equipment, train election personnel, and implement new election programs. The EAC has awarded approximately \$3.25 billion in grant funding to the 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, Guam and American Samoa (hereinafter referred to as “states”). With those funds, the states have purchased voting equipment, established statewide voter registration lists, implemented provisional voting, provided informational material to voters at the polling place, and implemented a program to verify the identity of voters using the statewide voter registration list in combination with other state and Federal databases.

HAVA made EAC responsible for the Federally run testing and certification program for voting systems. The testing and certification program was begun in 2006. Through this program, the EAC develops standards for voting equipment, accredits laboratories, and reviews and certifies voting equipment based upon the tests performed by the accredited laboratories.

The EAC is responsible for administering the National Voter Registration Act (NVRA) by promulgating regulations for the content and use of the National Mail Voter Registration form.

Office of Inspector General Profile

HAVA required the appointment of an inspector general for the EAC and amended the Inspector General Act (IG Act) of 1978 (5 U.S.C.A. App. 3) to identify the EAC as a designated Federal entity (DFE). The Commission appointed its first inspector general in August 2006 creating EAC's Office of Inspector General (OIG).

The OIG has always been a very small office. Other agencies have provided assistance by detailing employees; we have contracted independent CPA firms to conduct audits, and, finally, hiring permanent staff. The OIG currently has two employees: inspector general and an assistant inspector general for audits.

Despite our small size, we perform all of the duties required of the inspector general under the IG Act, including:

- Conducting and supervising audits, investigations, and other services (e.g., evaluations) relating to the programs and operations of the EAC;
- Providing leadership and coordination and recommending actions to management, which (1) promote economy, efficiency, and effectiveness in agency programs and operations; and (2) prevent and detect fraud, waste, abuse, and mismanagement of government resources; and
- Keeping the Commission, management, and Congress fully informed regarding problems and deficiencies, and the progress of corrective actions.

When conducting an investigation, we work with other Federal agencies to detail investigators or contract for investigative services.

The OIG's program to ensure economy, efficiency and integrity in the use of funds does not exclusively translate into audits of the EAC or of its grant recipients. The OIG also investigates allegations of waste, fraud, abuse and

mismanagement in EAC programs and operations. The OIG operates a hotline to receive complaints regarding EAC, its programs, and its funding recipients.

EAC Audits

The OIG oversees the annual audits of EAC's financial statements and compliance with the Federal Information Security Management Act (FISMA). Under contract, an independent public accounting firm conducts these audits. Details of these audits follow.

EAC Financial Statement Audit

The independent public accounting firm of Leon Snead & Co., P.C. under contract with the OIG rendered an unqualified opinion on the consolidated financial statements of EAC for fiscal year 2011. However, Leon Snead & Co., P.C. identified one material weakness and one significant deficiency control weakness. The material weakness is summarized below:

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

Posting Model Errors: Posting model errors in the service provider's accounting system resulted in misclassifying capital assets as an operating expense, errors in posting a transfer of funds to another federal agency, and posting direct entries to equity accounts. We also noted another posting model error dealing

with imputed costs that was only corrected after the error was identified by another client of the service provider. We attributed these problems to a weakness in internal controls processes at the service provider concerning review and approval of posting models that impact EAC operations. As a result, if the errors had not been detected by parties other than the service provider, EAC's financial statements could have been misstated.

Journal Voucher Controls Need Strengthening: Journal vouchers² (JV) initiated and processed by the service provider to the general ledger were not provided to EAC officials for review and approval, and/or necessary supporting documentation was not provided to EAC to enable a determination of the appropriateness of the entries.

Service Provider Errors: The financial statements presented for audit contained errors that if not corrected would have resulted in qualifications to the audit opinion on the 2011 and 2010 financial statements.

In response to the findings in the report, the EAC indicated that it would work with the service provider to ensure timely submission of statements and documentation. The EAC indicated that the service provider was not asked to provide full support for the audit until near the end of the fiscal year, when EAC found out it was losing its staff accountant as of September 2011. The staff accountant provided the support for the past two fiscal years. In addition, the EAC is moving its accounting operation to another service provider. The transition to the new service provider should be completed in the summer of 2012.

FISMA Compliance

Leon Snead & Co. P.C., conducted the audit of the U.S. Election Assistance Commission's compliance with the Office of Management and Budget Circular A-130 and FISMA requirements. The audit included assessing the EAC's effort to develop, document, and implement an agency-wide program to provide information security for the information and information systems that support the operations and assets of the EAC.

The audit found that the EAC was in substantial compliance with FISMA requirements. Specifically the audit found that the EAC had established sufficient policies and procedures relating to its information technology security program to address identified risks; implemented actions to address prior concerns relating to meeting Privacy Act requirements; established a continuous monitoring program that substantially addressed National Institute of Standards and Technology requirements; provided annual security awareness training and specialized training to its information technology specialists; developed and tested a contingency plan; and had established required access controls sufficient to meet identified risks.

Other Activities

Reviews of Legislation, Rules, Regulations and Other Issuances

The OIG conducts regular monitoring of EAC program activities and policy-making efforts. We provide comment to significant policy statements, rulemaking and legislation that affects the EAC. During this reporting period, the EAC did not have any Commissioners and did not issue any policy determinations. The Administration issued several pieces of guidance and Executive Orders during the reporting period, which we reviewed. Last, we participated in surveys and data calls issued by the Council of Inspectors General on Integrity and Efficiency.

Hotline Complaints

The OIG received nine complaints during the reporting period. Six of those complaints did not warrant an investigation by the OIG given the nature of the complaint. Three complaints fell in the jurisdiction of other Federal agencies.

Matters Referred to Prosecuting Authorities

We are reporting no activities in this category during the reporting period.

Denial of Access to Records

We are reporting no activities in this category during the reporting period.

Peer Review Reports

The EAC OIG was subject to a peer review in 2009. The review was conducted by the Federal Maritime Commission Office of Inspector General (FMC OIG). The report was issued on June 10, 2009. The FMC OIG gave the EAC OIG a “pass” rating. No material deficiencies were noted. However, the FMC OIG did address four issues in its letter of comment:

- Complete independent statements in keeping with audit policy;
- Monitor continuing professional education requirements of auditors detailed from other OIGs;
- Use work paper check list to ensure that work papers have sufficient support for audit documentation and supervisory review; and
- Ensure technical checklist for monitoring audits performed by independent public accountants is used for each such audit.

Each of these recommendations has been implemented. There are no outstanding recommendations.

The EAC OIG’s next peer review is scheduled for April of 2012.

Reports Issued

EAC Audits

1. Independent Auditor's Reports on the U.S. Election Assistance Commission's Financial Statements for Fiscal Year 2011 (Assignment No. I-PA-EAC-01-11), November 2011
2. Audit of Compliance with the Requirements of the Federal Information Security Management Act (Assignment No. I-PA-EAC-02-11), October 2011

Monetary Impact of Audit Activities

Questioned Costs*	\$ 0
Potential Additional Program Funds	\$ 0
Funds to Be Put to Better Use	\$ 0
Total	\$ 0

*Unsupported costs are included in questioned costs.

Reports With Questioned Costs

<u>Category</u>	<u>Number</u>	<u>Questioned Costs</u>	<u>Unsupported Costs</u>
A. For which no management decision had been made by the beginning of the reporting period.	7	\$25,783,623	\$ 0
B. Which were issued during the reporting period.	0	\$0	\$ 0
Subtotals (A + B)	7	\$25,783,623	\$ 0
C. For which a management decision was made during the reporting period.	6	\$25,777,059	\$ 0
(i) Dollar value of recommendations that were agreed to by management.		\$ 167,785	\$ 0
(ii) Dollar value of recommendations not agreed to by management.		\$25,609,274	\$ 0
D. For which no management decision has been made by the end of the reporting period.	1	\$ 6,564	\$ 0

Reports With Potential Additional Program Funds

<u>Category</u>	<u>Number</u>	<u>Dollar Value</u>
A. For which no management decision had been made by the beginning of the reporting period.	4	\$ 607,901
B. Which were issued during the reporting period.	0	\$ 0
Subtotals (A+B)	4	\$ 607,901
C. For which a management decision was made during the reporting period.	4	\$ 607,901
(i) Dollar value of recommendations that were agreed to by management.		\$ 525,891
(ii) Dollar value of recommendations that were not agreed to by management.		\$ 82,010
D. For which no management decision has been made by the end of the reporting period.	0	\$ 0

Summary of Reports More Than Six Months Old Pending Corrective Action at March 31, 2012

The following is a list of audit and evaluation reports that are more than six months with management decisions for which corrective action has not been completed. It provides report number, title, issue date, and the number of recommendations without final corrective action.

I-EV-EAC-01-07B	Assessment of the U.S. Election Assistance Commission's Program and Financial Operations, February 2008, 7 Recommendations
E-HP-HI-01-10	Administration of Payments Received Under the Help America Vote Act by the Hawaii Office of Elections, February 2011, 5 Recommendations
E-HP-NV-02-11	Administration of Payments Received Under the Help America Vote Act by Nevada Secretary of State, September 2011, 1 Recommendation

Summary of Reports More Than Six Months Old Pending Management Decision at March 31, 2012

This listing includes a summary of audit and evaluation reports that were more than 6 months old on March 31, 2012 and still pending a management decision. It provides report number, title, and number of unresolved recommendations.

None.

Reporting Requirements of the IG Act

<u>Section of Act</u>	<u>Requirement</u>	<u>Page</u>
Section 4(a)(2)	Review of Legislation and Regulations	5
Section 5(a)(1)	Significant Problems, Abuses, and Deficiencies	None
Section 5(a)(2)	Recommendations for Corrective Action With Respect to Significant Problems, Abuses, and Deficiencies	None
Section 5(a)(3)	Significant Recommendations From Agency's Previous Report on Which Corrective Action Has Not Been Completed	11
Section 5(a)(4)	Matters Referred to Prosecuting Authorities and Resulting Convictions	None
Section 5(a)(5)	Matters Reported to the Head of the Agency	None
Section 5(a)(6)	List of Reports Issued During the Reporting Period	7
Section 5(a)(7)	Summary of Significant Reports	3
Section 5(a)(8)	Statistical Table – Questioned Costs	9
Section 5(a)(9)	Statistical Table – Recommendations That Funds Be Put to Better Use	None
Section 5(a)(10)	Summary of Audit Reports Issued Before the Commencement of the Reporting Period for Which No Management Decision Has Been Made	None
Section 5(a)(11)	Significant Revised Management Decisions Made During the Reporting Period	None
Section 5(a)(12)	Significant Management Decisions With Which the Inspector General Is in Disagreement	None
Section 5(a)(13)	Information Described Under Section 804(b) of the Federal Financial Management Improvement Act of 1996	None
Section 5(a)(14)(A)	Peer Review Reports Conducted on U.S. Election Assistance Commission Office of Inspector General during the Reporting Period	None

<u>Section of Act</u>	<u>Requirement</u>	<u>Page</u>
Section 5(a)(14)(B)	Statement of Peer Review Conducted on the U.S. Election Assistance Commission Office of Inspector General during a Prior Reporting Period	<u>6</u>
Section 5(a)(15)	Outstanding Recommendations from a Peer Review Report on the U.S. Election Assistance Commission Office of Inspector General	None
Section 5(a)(16)	Peer Review Reports Conducted by the U.S. Election Assistance Commission Office of Inspector General	None

OIG's Mission

Help to ensure efficient, effective, and transparent EAC operations and programs

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U.S. Election Assistance Commission
Office of Inspector General
1201 New York Ave. NW – Suite 300
Washington, DC 20005

To order by phone: Voice: (202) 566-3100
Fax: (202) 566-0957

To Report Fraud, Waste and Abuse Involving the U.S. Election Assistance Commission or Help America Vote Act Funds

By Mail: U.S. Election Assistance Commission
Office of Inspector General
1201 New York Ave. NW – Suite 300
Washington, DC 20005

E-mail: eacoig@eac.gov

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

On-Line Complaint Form: www.eac.gov/inspector_general/
FAX: 202-566-0957





Inspector General

U.S. Election Assistance Commission

This report, as well as other OIG reports and testimony, are available on the internet at:
www.eac.gov/inspector_general/