

UNITED STATES
ELECTION ASSISTANCE COMMISSION
OFFICE OF INSPECTOR GENERAL



SEMIANNUAL REPORT TO CONGRESS

*For the Period:
October 1, 2015 Through
March 31, 2016*



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

April 29, 2016

To: Thomas Hicks, Chairman
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 on March 31st and September 30th each year. I am pleased to enclose the report for the period from October 1, 2015 to March 31, 2016.

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.

For the last few years, the OIG has accomplished its mission by contracting for audits with independent public accounting firms and buying services from other Federal agencies. Contracted audits during the most recently completed six-month period covered the EAC financial statements and EAC's compliance with the Federal Information Security Management Act.

This report is the first semiannual report I am issuing since my appointment as Inspector General. I look forward to working with the Commissioners and employees of the Election Assistance Commission to continue to improve Commission programs and operations.

Sincerely,

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

Patricia Layfield
Inspector General

cc: Commissioner Matthew Masterson, Vice-Chair
Commissioner Christy A. McCormick

Table of Contents

| | <u>Page</u> |
|--|-------------|
| Election Assistance Commission Profile | <u>1</u> |
| Office of Inspector General Profile | <u>1</u> |
| Audits | <u>2</u> |
| Investigations | <u>4</u> |
| Other Activities | <u>4</u> |
| Peer Review Activities | <u>5</u> |
| Appendices | <u>6</u> |

Election Assistance Commission Profile

Congress established the U.S. Election Assistance Commission (EAC or Commission) through the passage of the Help America Vote Act of 2002 (HAVA). EAC is an independent, bipartisan commission that serves as a national clearinghouse and resource for the compilation of information and review of procedures for the administration of Federal elections. EAC is authorized to have four commissioners who are appointed by the President and approved by the U.S. Senate. Commissioners serve four-year terms. EAC currently has three commissioners.

EAC's principal duties include maintaining a national clearinghouse of information on election administration, testing and certifying/decertifying/recertifying voting systems, adopting voluntary voting system guidelines, and administering payments and grants authorized by HAVA. EAC has distributed over \$3 billion in payments and grants to the 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, Guam and American Samoa (hereinafter referred to as "states"). States use the funds to purchase voting equipment, establish statewide voter registration lists, implement provisional voting, educate voters, train officials and poll workers, improve polling places, and recruit poll workers.

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). EAC appointed its Inspector General in 2006. The Office of Inspector General currently consists of one employee, the Inspector General. A retired annuitant has served as the Deputy Inspector General of EAC since September 2015, when the previous Inspector General retired, and will return to retired status at the end of April 2016.

Despite its small size, the OIG performs 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.

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 payment and 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.

Audits

Fiscal Year 2015 Financial Statements

Brown & Company CPAs, PLLC (Brown & Company) conducted the audit of EAC's fiscal year 2015 financial statements. They performed the audit under a contract that the OIG monitored.

Brown and Company concluded that EAC's financial statements presented fairly, in all material respects, the financial position of EAC as of September 30, 2015 and 2014, 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. In addition, the audit did not identify any material weaknesses in internal controls. Finally, the firm's tests of compliance with applicable provisions of laws, regulations, contracts and grant agreements, disclosed no instance of noncompliance or other matter that were required to be reported under *Government Auditing Standards* or Office of Management and Budget Bulletin No. 15-02.

Federal Information Security Management Act

The OIG hired CliftonLarsonAllen LLP (CLA), an independent certified public accounting firm, to conduct an audit of EAC's compliance with the Federal Information Security Management Act and related information security policies, procedures, standards, and guidelines. 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.

CLA found that EAC had a properly designed and effective information security program except for patch and vulnerability management. As a result of these program weaknesses, CLA said that EAC's operations and assets were not fully protected from the risk of unauthorized access, misuse, and disruption. CLA also reported that although EAC executives "acknowledged that some of EAC managed devices were affected", CLA "determined that since other (e.g. General Services Administration [GSA]) devices were visible during our internal scanning, all these identified weaknesses could potentially affect EAC systems and data, due to an inadequate segmentation of the GSA and EAC networks." Finally, CLA stated that EAC initiated appropriate corrective action.

EAC's responded that its review of the scanning results noted that all "except one of the IP [Internet Protocol] addresses devices on the findings belongs to GSA's network." In that regard, EAC said that all its devices are separated and isolated from inbound traffic from GSA's network "by VLAN in line with the

internal Firewall to prohibit any internal access to the EAC’s network.” EAC also said that: “Due to inbound traffic restrictions to the EAC network, the risk associated with the identified vulnerabilities would not be able to be exploited by external users. . . .The record shows no security incident was reported for the FY2015.” That notwithstanding, CLA said that while a firewall would provide some measure of protection, the fact that it was “able to view GSA during scanning indicates that inbound and outbound traffic to and from GSA systems was permitted. This pathway could be utilized to exploit vulnerabilities on GSA devices and potentially compromise EAC data and systems.”

Investigations

The OIG did not issue any investigative reports during this semiannual reporting period.

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.

Matters Referred to Prosecuting Authorities

None.

Denial of Access to Records

None.

Peer Review Activity

Section 989C of the Dodd–Frank Act contains additional semiannual reporting requirements pertaining to peer review reports. Federal Inspectors General are required to engage in peer review processes related to both their audit and investigative operations. In keeping with Section 989C, the EAC OIG is reporting the following information related to its audit peer review activities. These activities cover our role as both the reviewed and the reviewing OIG.

Audit Peer Reviews

On a 3–year cycle, peer reviews are conducted of an OIG’s audit organization’s system of quality control in accordance with the *CIGIE Guide for Conducting External Peer Reviews of the Audit Organizations of Federal Offices of Inspector General*, based on requirements in the *Government Auditing Standards*.

During this semiannual reporting period, another OIG organization did not conduct a peer review of the EAC OIG. Further, the EAC OIG did not perform a peer review on other OIGs. EAC OIG was scheduled for its next peer review in the fall of 2015; however, completion of that review has been delayed by the retirement of the previous IG. Listed below is information concerning peer review activities during previous reporting periods.

The Federal Labor Relations Authority, Office of Inspector General (FLRA OIG) peer reviewed the EAC OIG in 2012. In an FLRA OIG report dated July 31, 2012, the EAC OIG received a peer review rating of *pass*. In the FLRA OIG’s opinion, the system of quality control for the EAC OIG audit organization in effect for the year–ended March 31, 2012, had been suitably designed and complied with to provide EAC OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects.

Reports Issued

EAC Audits

U.S. Election Assistance Commission Financial Statements for Fiscal year 2015 and Fiscal Year 2014, Assignment No. I-PA-EAC-01-15, Dated November 2015

Compliance with the Requirements of the Federal Information Security Management Act for Fiscal Year 2015, Assignment No. I-PA-EAC-02-15, Dated November 2015

State Audits

None.

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. | 2 | \$ 1,569,008 | \$ 0 |
| B. Which were issued during the reporting period. | 0 | \$ 0 | \$ 0 |
| Subtotals (A + B) | 5 | \$ | \$ 0 |
| C. For which a management decision was made during the reporting period. | | \$ | \$ 0 |
| (i) Dollar value of recommendations that were agreed to by management. | | \$ | \$ 0 |
| (ii) Dollar value of recommendations not agreed to by management. | | \$ | \$ 0 |
| D. For which no management decision has been made by the end of the reporting period. | | \$ | \$ 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. | 0 | \$ 0 |
| B. Which were issued during the reporting period. | 0 | \$ 0 |
| Subtotals (A+B) | 0 | \$ 0 |
| C. For which a management decision was made during the reporting period. | 0 | \$ 0 |
| (i) Dollar value of recommendations that were agreed to by management. | 0 | \$ 0 |
| (ii) Dollar value of recommendations that were not agreed to by management. | 0 | \$ 0 |
| D. For which no management decision has been made by the end of the reporting period. | 0 | \$ 0 |

Reports With Funds to Be Put to Better Use

| <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. | 0 | \$ 0 |
| B. Which were issued during the reporting period. | 0 | \$ 0 |
| Subtotals (A+B) | 0 | \$ 0 |
| C. For which a management decision was made during the reporting period. | 0 | \$ 0 |
| (i) Dollar value of recommendations that were agreed to by management. | | \$ 0 |
| (ii) Dollar value of recommendations that were not agreed to by management. | | \$ 0 |
| D. For which no management decision has been made by the end of the reporting period. | 0 | \$ 0 |
| E. Reports for which no management decision was made within six months of issuance. | 0 | \$ 0 |

Summary of Reports More Than Six Months Old Pending Corrective Action at September 30, 2015

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, 4 recommendations |
| E-HP-VI-01-13 | Election System of the Virgin Islands' Compliance with the Help America Vote Act of 2002, October 2013, 4 Recommendations |
| E-HP-ID-04-14 | Administration of Payments Received Under the Help America Vote Act by the Idaho Secretary of State, March 2015, 6 recommendations |

**Summary of Reports More Than Six Months Old
Pending Management Decision at September 30, 2015**

None.

Reporting Requirements of the IG Act

| <u>Section of the Act</u> | <u>Requirement</u> | <u>Page</u> |
|---------------------------|--|-------------|
| Section 4(a)(2) | Review of Legislation and Regulations | 8 |
| 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 | 15 |
| 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 | 10 |
| Section 5(a)(7) | Summary of Significant Reports | 3 |
| Section 5(a)(8) | Statistical Table – Questioned Costs | 12 |
| Section 5(a)(9) | Statistical Table – Recommendations That Funds Be Put to Better Use | 14 |
| 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 |

Reporting Requirements of the IG Act

| <u>Section of the 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 | 8 |
| 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

Obtaining Copies of OIG Reports

Copies of OIG reports are available on the OIG website, www.eac.gov/inspector_general/

Copies of OIG reports can be requested by e-mail: (eacoig@eac.gov).

Mail orders should be sent to:

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

To order by phone: Voice: (301) 734-3104
Fax: (301) 734-3115

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
1335 East West Highway, Suite 4300
Silver Spring, MD 20910

E-mail: eacoig@eac.gov

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

On-Line Complaint Form: www.eac.gov/inspector_general/
FAX: (301) 734-3115





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/