



U.S. ELECTION ASSISTANCE COMMISSION

AGENCY FINANCIAL REPORT

November 17, 2014

ABOUT THIS REPORT

For FY 2014 reporting purposes, the U.S. Election Assistance Commission (EAC) has again elected to submit an Agency Financial Report, with an Annual Performance Report and Citizens' Report along with the Congressional Budget Justification. The reports are targeted to the Office of Management and Budget (OMB), the Public, and Congress, respectively. The AFR allows EAC to focus on and lay out its financial position at this time, while providing summary performance data. A Citizen's Report and a combined Annual Performance Report/Congressional Budget Justification will follow on February 15, 2014 per guidance in OMB Circular A-136 *Financial Reporting Requirements*.



November 17, 2014

MESSAGE FROM THE CHIEF OPERATING OFFICER AND ACTING EXECUTIVE DIRECTOR

The U.S. Election Assistance Commission (EAC) is an independent bipartisan agency whose mission is to assist in the effective administration of Federal elections. Following is EAC's Fiscal Year (FY) 2014 Agency Financial Report. The report describes EAC's financial results during the past fiscal year, and efforts to strengthen internal controls and financial management activities.

This is the seventh year that EAC has undergone a financial statement audit per the Accountability of Tax Dollars Act of 2002, and the sixth year EAC has chosen the option available in the Office of Management and Budget Circular A-136 *Financial Reporting Requirements* to submit a separate Agency Financial Report and Annual Performance Report instead of the Performance and Accountability Report. EAC presents summarized performance data in this report, and will provide detailed data in conjunction with the FY 2016 Congressional Budget Justification.

EAC has been without a quorum of commissioners since December 10, 2010 and has been without commissioners since December 2011. The agency has functioned by following the order of succession in the agency's Roles and Responsibilities document adopted by the Commission in September 2008, and the organization chart in the Strategic Plan covering Fiscal Years 2009 through 2014, adopted in March of 2009. Under the current structure, when EAC is without an Executive Director or General Counsel, which is the case as of this writing, the Chief Operating Officer assumes the responsibilities of the Executive Director in an acting capacity until a quorum of commissioners is able to hire one pursuant to authorizing language in the Help America Vote Act of 2002 (HAVA).

The Roles and Responsibilities document authorizes agency staff to manage the voting system certification and decertification process, and disburse HAVA requirements payment grant funds. Without commissioners, EAC is unable to process voting system decertification appeals, issue a new grant Notice of Funds Availability, adopt policy, or hire an Executive Director or General Counsel. Pursuant to HAVA, the Executive Director hires the General Counsel.

Over the years, EAC's Inspector General has conducted operational audits and investigations of the agency. The FY 2013 Acquisition and Procurement of Goods and Services Audit provided several helpful recommendations, and all recommendations were

considered to be implemented around the end of FY 2014. The vast majority of recommendations made in the internal audits have been implemented by EAC. Once a quorum of commissioners is present, EAC will work to close two remaining open recommendations: clearinghouse of information on Federal elections and communications policy, and addressing public comments regarding the National Mail Voter Registration Form.

FY 2014 was a very productive year for EAC's programs. To assist in the effective administration of Federal elections, EAC furthered the programmatic goals in its Strategic Plan: Goal 1 *Communicate*; Goal 2 *Fund & Oversee*; Goal 3 *Study, Guide and Assist*; and Goal 4 *Test and Certify*. EAC also continued to make improvements in Goal 5 *Operations*. The agency's organizational structure is aligned with the four program goals. Some of EAC's significant accomplishments in response to these goals included:

Communications

The Communications and Clearinghouse division began FY 2014 with focused efforts on providing information and best practices to election officials and voters. EAC maintained the goal of building a community of knowledge and expertise to save election officials time and money in preparation for the 2014 federal election cycle.

The division maintains resources on the EAC website, www.eac.gov, such as: the Election Official Exchange, an online resource built by EAC to help local election officials connect and leverage their collective knowledge by sharing best practices and experience; Events Finder, a comprehensive presentation of all EAC public events, including meetings, hearings and roundtable discussions; webcasts of public events; Twitter @EACgov, hashtag #EACvote, and blog posts to provide election officials and the public with timely updates on elections and program activities, and forums for discussions such as preparation for the next Federal election; and a listserv for EAC's newsletter and automatic program updates.

In FY 2014, EAC hosted three public roundtable discussions which followed up on topics raised during prior EAC roundtables. In March, EAC hosted a roundtable consisting of two former Presidential Commission on Election Administration (PCEA) commissioners, and state and local election officials to discuss recommendations by the PCEA related to polling place location and design, managing queues, recruiting and training poll workers, and the use of precinct management technologies to improve and streamline the voting experience.

A second roundtable was held in June to discuss reforms to the voting system testing and certification process to better meet the needs of state and local jurisdictions. Panelists included state and local election officials, technical experts and former members of PCEA. In September, EAC hosted a third roundtable for state and local election officials, grant managers and research experts to discuss EAC grant programs' past successes and future directions.

EAC also publicized and promoted participation in six regional Election Center Accessible Voting Workshop seminars to help election jurisdictions of all sizes prepare for an anticipated rise in the number of voters with disabilities; four EAC/National Institute of Standards and Technology (NIST) Accessible Voting Technology Initiative webinars; and an Information Technology and Innovation Foundation (ITIF) panel discussion and demonstration of accessible voting technologies developed through an ITIF grant funded by EAC.

Fund & Oversee

The Fund and Oversee Strategic Plan Goal 2 is administered by the Office of Grants Management and the Office of the Inspector General (OIG). During FY 2014, some of the Grants Management accomplishments included disbursement of over \$3.6 million to nine states certifying compliance with the provisions of HAVA; providing technical assistance to and monitoring grant recipients to help ensure that HAVA funds are spent in compliance with federal laws, regulations, and the provisions of HAVA and grant agreements -- Section 251 requirements payments, Voting System Pre-Election Logic and Accuracy Testing & Post-Election Audit Initiative grants, and Accessible Voting Technology Initiative grants.

The Grants Management Office, along with the Research, Policy and Programs Division, reviewed final grant financial and narrative reports, and closed out the FY 2010 three-year award College Poll Worker and Mock Election Programs grants. Further, staff closed seven of eight open OIG audits of State use of HAVA funds in FY 2014.

Study, Guide and Assist

Strategic Plan Goal 3, Study, Guide and Assist, is administered by the Research, Policy and Programs (RPP) Division. RPP administers the biennial Election Administration and Voting Survey (EAVS), an instrument used to collect data from the States on areas such as the ability of civilian, military and overseas citizens to successfully cast a ballot, and the number of registered voters at the state and county levels. Pursuant to an agreement reached between EAC and the U.S. Department of Defense Federal Voting Assistance Program (FVAP), the next survey will incorporate twelve FVAP questions.

EAC processed changes to the National Mail Voter Registration Form for several states, and posted them along with translations on EAC's website. The "motor voter" form can be used by the States to register U.S. citizens to vote, and to update registration information to change a voter's address or name. Each State and territory has its own instructions on how to complete the form with voter registration rules and regulations. The form is available on the EAC website in seven languages.

During FY 2014, RPP issued four educational products: new downloadable Quick Tips (formerly referred to as Quick Start Guides) on: *Managing the Voting Process*; *Educating Voters*; *Poll Worker Recruitment and Training*, and *Why Good Data Matters*. The publications offer concise tips for election officials with links to best practices in the

administration of Federal elections. Information contained in the Quick Tips is based on conference calls conducted with a select group of local election officials, and on research about election jurisdictions around the country. RPP also produced fliers on “*10 Tips to Enhance Your Voting Experience*”, and “*14 Facts About Voting in Federal Elections*” to help voters become more familiar with the voting process before the 2014 election. RPP staff also drafted Quick Tips on: *Serving UOCAVA Voters, Conducting Audits, Monitors at the Polls, Administering Provisional Ballots, Alternative Voting Methods, Disaster and Contingency Planning, and Managing Change in Elections.*

Test and Certify

The Test and Certify Strategic Plan Goal 4 is administered by the voting system Testing and Certification Division. During FY 2014, staff certified six voting systems, registered a new voting system manufacturer, and is working on system testing with the manufacturers of five additional systems.

The division drafted and published four Requests for Interpretation to the Voluntary Voting System Guidelines, and three Notices of Clarification to the Testing & Certification Program Manuals. Further, staff continued development of and implemented major updates to EAC’s Virtual Review Tool, used for reviewing voting system test plans, cases and reports submitted by the voting system test laboratories. During FY 2014, Testing and Certification staff audited two voting system manufacturing facilities; and performed two Manufacturing Quality Assurance audits, two laboratory re-accreditation audits, and a follow-up to an initial new laboratory accreditation audit.

Administrative accomplishments during FY 2014 included among other activities the agency’s fourth consecutive Federal Information Security Act (FISMA) audit opinion that EAC is in substantial compliance with the Act. More detail on FY 2014 accomplishments can be found in Section I.B. of the following document.

The financial and performance data in this report is reliable and complete with the exception of a \$2.2 million improper payment described in the auditor’s report related to a material weakness in internal controls over financial management reporting. The Commission provides a qualified statement of assurance that the agency’s internal control and financial management systems meet the objectives of the Federal Managers’ Financial Integrity Act. As discussed later in this document, EAC will work in FY 2015 to resolve remaining issues.



Alice P. Miller
Chief Operating Officer and Acting
Executive Director

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SECTION I

Management Discussion and Analysis

Management Discussion and Analysis (MD&A) is presented in accordance with Statement of Federal Financial Accounting Standards (SFFAS) 15. The MD&A is intended to provide a clear and concise description of the agency's mission and organizational structure; high-level discussion of key performance goals, results and measures; analysis of financial statements; systems, controls, and legal compliance (i.e., Management Assurance signed by the Agency Head); compliance with laws and regulations; and actions taken or planned to address problems. It provides a balanced analytical assessment, with both positive and negative information, of key program and financial performance. The MD&A is a vehicle for communicating insights about the agency, its operations, programs, successes, challenges and future outlook. Contents of this report and the MD&A are in conformance with Office of Management and Budget (OMB) Circular A-136 *Financial Reporting Requirements*.

I.A. BACKGROUND, VISION, MISSION AND ORGANIZATIONAL STRUCTURE

In October 2002, Congress passed the Help America Vote Act (HAVA) of 2002. The law recognized the need for States to invest in their election infrastructure and set out comprehensive programs of funding, voluntary guidance, and research. To foster those programs and to promote and enhance voting for United States citizens, HAVA established the Election Assistance Commission (EAC). The vision for EAC, according to the Strategic Plan 2009-2014, adopted March 2009, is to lead election reform that reaffirms the right to vote and to have all eligible votes counted accurately.

EAC is an independent, bipartisan agency. Four full-time Commissioners, appointed by the President and confirmed by the U.S. Senate, and three Federal advisory committees, the Standards Board, Board of Advisors, and Technical Guidelines Development Committee, guide the EAC. Its mission is to provide assistance to State and local election officials in the effective administration of Federal elections. EAC is statutorily required to:

- Create a clearinghouse of information for election officials and the public;
- Distribute and monitor HAVA funds to States for election administration improvements;
- Issue, periodically review and modify, as necessary, Voluntary Voting System Guidelines (VVSG);
- Accredite voting system test laboratories and certify voting equipment;
- Conduct periodic studies of election administration issues as determined by the Commission;
- Establish best practices and guidelines on election administration for State and local election officials;
- Maintain the national voter registration form developed in accordance with the National Voter Registration Act (NVRA) of 1993;
- Provide Congress with a bi-annual report to assess the impact of the NVRA.

The Standards Board and the Board of Advisors provide advice and guidance to EAC on Voluntary Voting System Guidelines (VVSG) and other election administration issues. In addition, the Technical Guidelines Development Committee (TGDC) assists EAC in the preparation of the VVSG. The VVSG sets the standards against which voting systems are tested. The Director of the National Institute of Standards and Technology (NIST) of the U.S. Department of Commerce serve as the Chair of the TGDC and provide technical support to the Committee. Additionally, HAVA specifies that NIST provide recommendations to EAC regarding voting system test laboratories. Since Fiscal Year 2004, EAC's annual appropriations have included funds for NIST support.

In Fiscal Years 2003 and 2004, Congress appropriated nearly \$3 billion in Federal financial assistance for payments to States under Titles I and II of HAVA. States received the funds to upgrade their voting systems, establish a statewide voter registration database, train election officials, and educate voters. In Fiscal Year 2003, General Services Administration (GSA) distributed \$649,500,000 in HAVA funds to the fifty States, Guam, Puerto Rico, the U.S. Virgin Islands, American Samoa and the District of Columbia on EAC's behalf. The funds were distributed for activities to improve the administration of elections (Section 101) and to replace punch card and lever voting machines (Section 102).

The Senate confirmed four Commissioners in December 2003 and EAC began operations in January 2004, within ten months of the date mandated by HAVA. The Agency's Fiscal Year 2004 operating budget was \$1.7 million. At the close of the fiscal year, EAC had a staff of 18. EAC's focus in 2004 was to assemble staff, obtain office space, arrange for administrative support from the GSA, establish a website, start election administration clearinghouse operations, and distribute Federal financial assistance to the States. In FY 2004, EAC also appointed a statutorily-required General Counsel.

During Fiscal Year 2005, EAC appointed its other statutorily-required position, the Executive Director, and an interim Inspector General. EAC's focus in subsequent years was on upgrading the VVSG, completing required research to promote effective Federal elections and present key data on election practices and voting, instituting a voting system testing and certification program, auditing State use of HAVA funds, and providing information on improving elections to its stakeholders.

In FY 2007, Congress recognized the expanding Agency responsibilities and lifted the full-time equivalent staffing ceiling of 24. As of the end of FY 2014, EAC had a full-time staff of 23 employees. Since its inception, EAC has received \$2,606,150,000 in requirements payments, \$24,350,000 in discretionary grant funds for Poll Workers, Mock Elections, Election Data Collection, Voting Technology Improvement Research and Equipment and Pre-Election Logic and Accuracy Testing and Post-Election Verification and transferred \$24,493,000 to NIST. EAC also tracks and provides technical assistance on the Section 101 funds. The time period for using the Section 102 funds has expired, and EAC is in the process of collecting remaining unused funds.

EAC Organization by Program

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

Communications and Clearinghouse

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

Areas of responsibility include:

- EAC Website and Clearinghouse
- Social media
- Media inquires
- External communications
- Congressional relations
- The Freedom of Information Act
- National Archives and Records Act
- Editorial support: press releases, speeches, and Congressional testimony

The agency's website, www.eac.gov, is the primary communications tool. EAC.gov contains thousands of documents and information about voting systems, press releases, informational videos, research, data and program-related information. It also features on-demand webcasts and related information from public meetings, hearings and roundtables.

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

Grants Management

The Grants Management Division:

- Provides technical assistance to the States on administering Federal funds;
- Awards and monitors discretionary grant programs including: Help America Vote College Program, Help America Vote Mock Election Program, Military Heroes Initiative, Voting System Pre-Election Logic and Accuracy Testing and Post-Election Audit Initiative and Accessible Voting Technology Initiative;
- Processes and disburses payments to States and discretionary grant recipients;
- Tracks the submission of and reviews the content of financial and performance reports submitted by States and discretionary grant recipients;
- Reviews audit reports and works with fund recipients on recommendations to resolve audit findings applicable to EAC programs;

- Reviews amended State Plan submissions; and
- Drafts advisory opinions for Commission approval and issuance.

Research, Policy and Programs

The Research, Policy and Programs Division:

- Conducts research on election administration topics as mandated by Congress and at the discretion of the Commission;
- Administers the biennial Election Administration and Voting Survey;
- Administers the National Mail Voter Registration Form as prescribed by the National Voter Registration Act of 1993 (NVRA), also known as “Motor Voter;”
- Administers the Election Management Guidelines and Quick Start Guides Program to help election officials promote secure, efficient, accurate, and accessible elections by providing information on topics such as Ballot Design, Polling Place Management, Voting Accessibility, Communicating with the Public, Contingency Planning, Managing Change in an Election Office, Media and Public Relations, and Developing an Audit Trail for the verification of votes;
- Manages the Language Accessibility Program to provide informational materials on the Federal election process and glossaries of election terminology in languages English and six other languages, translates the National Mail Voter Registration Form into ten languages other than English; and
- Provides materials to voters and election administration officials to facilitate their successful participation in Federal elections such as registering to vote.

Research and reporting is mandated by HAVA on topics such as the impact of the National Voter Registration Act of 1993 and on UOCAVA for military and overseas voters’ participation in federal elections; the feasibility and advisability of establishing free absentee ballot return postage; recounts and contests; the feasibility of alternative voting methods such as electronic voting; the voting experiences of first-time voters who register to vote by mail; administering elections in urban and rural areas; and the feasibility and advisability of identifying voters by Social Security Number.

Voting System Testing and Certification

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

The Testing and Certification (T&C) Division:

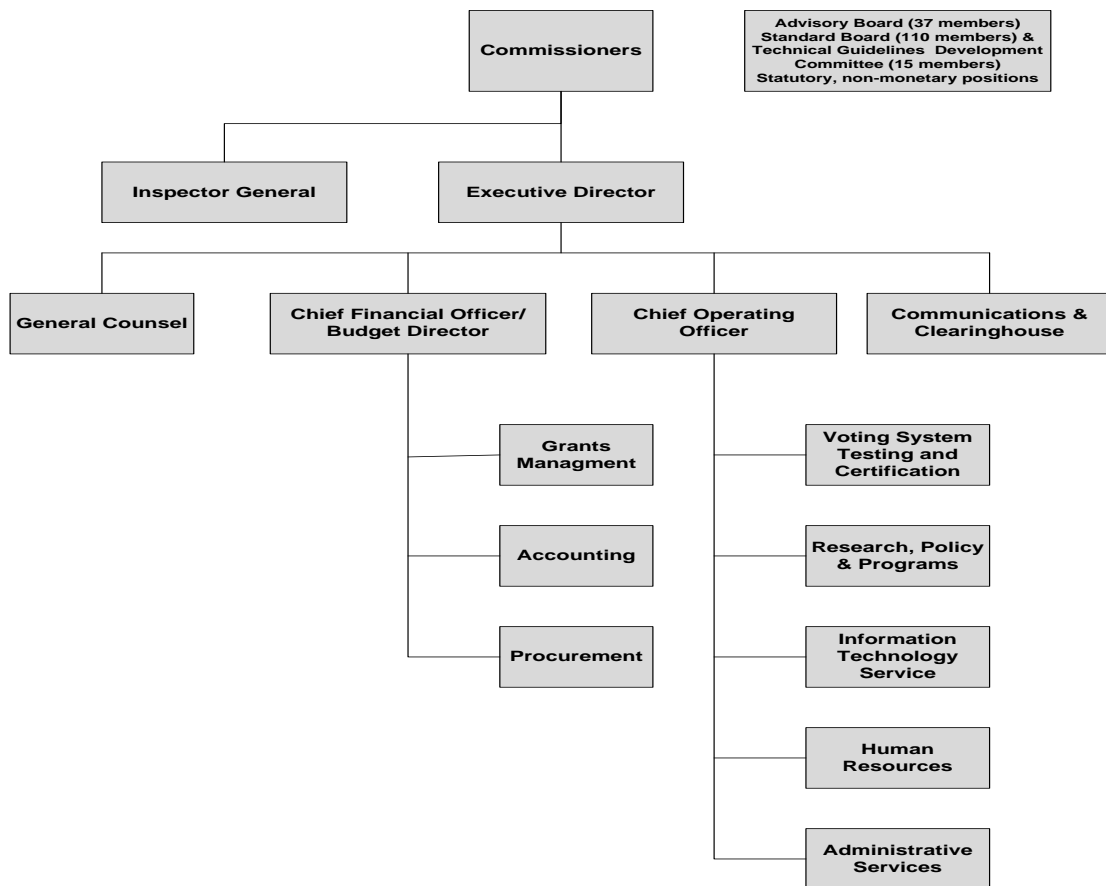
- Assists States with voluntary certification of their systems;
- Supports local elections officials in the areas of acceptance testing and pre-election system verification;

- Promotes quality control in voting system manufacturing through the EAC quality monitoring program;
- Provides procedures to the voting system manufacturers for the testing and certification of voting systems to specified Federal standards consistent with the requirements of HAVA Section 231.

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

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

**ELECTION ASSISTANCE COMMISSION
ORGANIZATION CHART**



I.B. PERFORMANCE GOALS, OBJECTIVES AND RESULTS

EAC formalized its planning, reporting and execution activities with its first five year Strategic Plan 2009-2014. The plan was reviewed by the Office of Management and Budget, and presented to EAC's Board of Advisors and Standards Board for comment, as required by HAVA. EAC adopted the Plan in March 2009.

How EAC Assesses Performance

EAC has five strategic goals:

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

The EAC Strategic Plan objectives listed below describe in general terms the results needed to accomplish its Strategic Goals. Outcomes measure the effect program outputs have on their stakeholders. Outputs are quantifiable targets that directly measure the results of a program. A program may have multiple outputs but each output is associated with one program. Performance measures are quantifiable, documentable, representations of a capacity, process or outcome that is relevant to the assessment of performance.

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

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

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

Goal 1 FY 2014 Accomplishments

The Communications and Clearinghouse division began Fiscal Year 2014 with focused efforts on providing information and best practices to election officials and voters. EAC maintained the goal of building a community of knowledge and expertise that could save election officials time and money in preparation for the 2014 federal election cycle.

EAC.gov Resources

- The Election Official Exchange: an online resource built by EAC to help local election officials connect and leverage their collective knowledge by sharing best practices and knowledge. By participating in the Exchange, any U.S. election official can call on a colleague for advice about virtually any administrative task they face, from testing voting equipment and training poll workers to creating an audit trail and conducting a recount.
- Events finder: a comprehensive presentation of all EAC public events, including meetings, hearings and roundtable discussions.
- Webcasts: public events are offered live. On demand webcasts are available within 24 hours. The meeting agenda accompanies the webcast, and the viewer can select topics of interest. All meeting materials are also available to the public.
- Customized program updates: a listserv for EAC's newsletter and automatic program updates. Users are notified daily or weekly when new documents are posted based on their delivery preferences.

Social Media and Stakeholder Updates

- Blog posts provided periodic election updates and highlight program activities including: EAC resources; the 2014 election calendar and election updates; voting system testing updates to track progress made on EAC voting system certification; Quick Tips for Voters and FAQ Facts about voting in Federal elections; new Quick Start Guides with concise tips for election officials; roundtable discussions on managing the polling place; reforms to the testing and certification process; the past successes and future direction of the EAC grants program, state RFPs for purchases of voting systems/e-pollbooks, and the IEEE/VSSC working group on common data format; and ongoing blog posts covering election related topics to answer frequently asked questions and provide critical or time sensitive information to stakeholders and the media;
- Used @EACgov on Twitter to rapidly deliver information and updates to stakeholders and the public about the voting system certification program, EAC activities and election information, communicate with election officials, and build a community of expertise;
- Maintained Twitter @EACgov and the hashtag #EACvote where election officials and the public can gather and discuss preparation for the next Federal election. The number of EAC Twitter followers grew from 1,602 to 1,968 from October 2013 through September 2014;
- Hosted online The Election Official Exchange, a platform to help local election officials connect and leverage their collective knowledge by sharing and exchanging best practices and information expertise; and
- Provided program activity updates where the public can customize the kind of information and the frequency that it is delivered via EAC's newsletter and automatic program updates.
- EAC delivered information and updates to election officials and stakeholders about: (1) roundtable discussions, workshop seminars and webinars; (2) research products and resources; (3) voting system certification; and (4) HAVA grants management.
- Publicized and circulated EAC's four new online downloadable Quick Start Guides that offer concise tips for election officials with links to examples of materials to help them

better manage their elections process on how to: (1) Manage the Voting Process Better; (2) Employ Effective Poll Workers; (3) Strengthen Voter Education Programs; and (4) Make Election Data Pay Off.

- Publicized and circulated EAC's 10 voter tips and 14 voter FAQ facts to help and encourage voters to become familiar with the voting process before the 2014 election.
- Notified States about EAC's new streamlined process for requesting and receiving HAVA funds requirements payments and posted the certification and assurances forms and memo to chief election officials on the website.
- Circulated updated EAC HAVA funding charts with statistics to stakeholders tracking HAVA Title I and Title II funds awarded and disbursed to the states
- EAC Notices for Public Comments:
 - Notice issued for public comment on whether to amend the State-specific NVRA instructions for Arizona, Kansas, and Georgia to include additional proof-of-citizenship instructions on the national mail voter registration form.
 - Notices issued for each of two public comment periods on EAC's 2014 research regarding consolidating the FVAP local election official survey into the EAC survey.
 - Notices issued for each of two public comment periods on the renewals of two existing information collections: EAC's Voting System Testing and Certification Program Manual, Version 1.0; and EAC's Voting System Test Laboratory Program Manual, Version 1.0.
- EAC Memorandum of Decision on NVRA Form: posted a memorandum of decision concerning state requests to include additional proof-of-citizenship instructions on the national mail voter registration form (1-17-14).
- As requests were received from election officials, EAC continued to add more links to state & local election social media sites.

2014 Public Roundtable Discussions, Workshop Seminars and Webinars

In Fiscal Year 2014, EAC hosted three public roundtable discussions which followed the series of prior EAC roundtables about topics and initiatives. In March, EAC hosted a roundtable consisting of two former Presidential Commission on Election Administration (PCEA) commissioners, and state and local election officials to discuss recommendations by the PCEA related to polling place location and design, managing queues, recruiting and training poll workers and the use of precinct management technologies to improve and streamline the voting experience. A second roundtable was held in June to discuss reforms to the testing and certification process that can better meet the needs of state and local jurisdictions. Panelists included state and local election officials, technical experts and former members of PCEA. In September, EAC hosted a third roundtable for state and local election officials, grant managers and research experts to discuss the EAC grants program's past successes and future direction. All three roundtables were webcast live and featured a live Twitterfall. Questions and comments were taken from the public through the webcasts. EAC distributed press advisories to national media daybooks and contacts, and to the home state/local media outlets representing roundtable participants.

EAC also publicized and promoted participation in six regional Election Center Accessible Voting Workshop seminars to help election jurisdictions of all sizes to prepare for an anticipated rise in the number of voters with disabilities; four EAC/NIST Accessible Voting Technology Initiative (AVTI) webinars; and an Information Technology and Innovation Foundation's (ITIF) panel discussion and demonstration of accessible technologies developed through an ITIF initiative funded by EAC. (Background: The webinars and initiatives were made possible through EAC grants which are funded under the Congressional Consolidated Appropriations Act for FY 2009/2010. Congress provided funds to the EAC to develop a research program to continue to support accessible voting technology.)

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

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

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

Goal 2 FY 2014 Accomplishments

- Disbursed Requirements Payment grants to states certifying compliance for the FY 2009 through FY 2011 award years (\$2,070,509 for FY 2009 to two states; \$1,449,356 for FY 2010 to two states; and \$95,153 for FY 2011 to 5 states);
- Provided technical assistance to grant recipients as they are responsible for establishing and maintaining internal controls that will reasonably ensure compliance with federal laws, regulations, and the provisions of the authorizing legislation and grant agreements for the applicable grant programs;
- Monitored and provided technical assistance for the Voting System Pre-Election Logic and Accuracy Testing & Post-Election Audit Initiative grants, and the Accessible Voting Technology Initiative grants. The projects focused on making pre-election information accessible to voters and using specialized systems in the field for elections;
- Closed the remaining four three-year award 2010 College Poll Worker and four 2010 Mock Election Program grants;
- Closed seven of eight open Office of the Inspector General audits of state use of HAVA funds.

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

Outcome: As a result of this goal: 1) the election community and other key stakeholders improve the administration of elections for Federal office on the

bases of pertinent, impartial, timely, and high-quality information, recommendations, guides and other tools on election and voting issues and 2) eligible citizens use the mail voter registration application to register to vote, register with a political party, or report a change of name, address, or other information.

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

Goal 3 FY 2014 Accomplishments

Research:

- Responded to ongoing inquiries regarding the 2012 EAVS data and responded to State's requests to post updates/corrections to their data files. In preparation for administering the 2014 EAVS, performed an assessment of the 2012 survey.
- Completed two Federal Register public comment periods on the 2014 EAVS. Performed a review and analysis of public feedback (45 comments) from the Federal Register public comment periods, completed the Paperwork Reduction Act (PRA) package for the 2014 survey submission to Office of Management and Budget (OMB) and responded to the OMB Desk Officer's inquiries regarding the 2014 EAVS submission.
- Received final OMB approval and clearance number for EAC's 2014 EAVS. The clearance number is good through April 30, 2017. With this clearance EAC is not expected to complete a survey submission process and review for administering the 2016 EAVS.
- Pursuant to an MOU reached between EAC and the Federal Voting Assistance Program (FVAP) the 2014 EAVS will include 12 additional FVAP questions. These questions are incorporated from the previous FVAP local election official survey. EAC staff, FVAP staff and each agency's contractors reached agreement on the final wording of the 2014 questions, agreed on the rules that will be used to validate the UOCAVA data that state's provide and, agreed to a timeline for the release of the FVAP report that will use 2014 EAVS data.
- EAC finalized a contract to ICF International to administer the 2014 EAVS, to analyze the data and to prepare a report summarizing the data.
- In consultation with ICF, staff made final changes to the 2014 EAVS Supplemental Instruction Manual and the 2014 EAVS Statutory Overview. By the end of fiscal year 2013 42 states had completed their submission of data for the 2014 Statutory Overview.
- Reviewed and gave sign-off to a GAO document referencing EAC data related to EAC data on provisional voting and voter registration.

Policy:

- Staff met with DOJ staff attorneys regarding pending court cases involving the State of Kansas and the State of Arizona. Staff prepared documents and certifications of EAC materials related to these court cases including creating a notice for public comment in the Federal Register regarding a response to the Kansas court decision on Kobach vs EAC.

- For follow-up to the Kansas court decision (regarding EAC and its update to the NVRA state instructions), EAC worked with DOJ attorneys and other Federal agency staff to ensure: prompt and proper posting of a Federal Register Notice; cataloguing and monitoring of those public comments through the Federal Document Management System (FDMS) website, and; subsequent posting/uploading of the 241 comments captured through the FDMS website on to Regulations.gov.
- EAC processed changes to the NVRA form to update NVRA form state instructions for three requesting states.
- Finalized contract award for translation services to be provided by Translations International Inc. Translations International Inc, completed foreign-language updates to NVRA state instructions for Georgia, Wisconsin, New York State and Tennessee and these updates (including 508 Compliance) were posted to EAC's website.
- Participated in senior management discussions related to updating the EAC strategic plan and completed the update of the RPP portion (Study, Guide and Assist) portion of the 2015-2010 EAC Strategic Plan.

Programs:

- Two former local election officials were hired as part-time employees to assist with updating the EAC's Quick Start Guides. A contract also was awarded to HR Communications to create a new design and brand for the Quick Start program.
- During Fiscal Year 2014 four new Quick Tips (formerly referred to as Quick Starts) were published on: ***Managing the Voting Process; Educating Voters; Poll Worker Recruitment and Training***, and ***Why Good Data Matters***. Information contained in the Quick Tips was based on conference calls conducted with a select group of local election officials and research done on election jurisdictions from around the country.
- Drafts of Quick Tips documents were written on 1) ***Serving UOCAVA Voters***, 2) ***Conducting Audits***, 3) ***Monitors at the Polls***, 4) ***Administering Provisional Ballots*** 5) ***Alternative Voting Methods*** 6) ***Disaster and Contingency Planning*** and 7) ***Managing Change in Elections***. These Quick Tips, to be designed and edited by a contract awarded to Solstice Advertising, will be published in early FY 2015.
- A flier on "***10 Tips to Enhance Your Voting Experience***" was written and posted to EAC's website. This is an update to the 2014 EAC Voter Tips flier.
- A flier on "***14 Facts About Voting in Federal Elections***" was written and posted to EAC's website. This is an update to the 2011 EAC brochure Voter's Guide to Federal Elections.
- In consultation with EAC's communications department staff developed a social media program plan to promote the new Quick Tips program and products through EAC's social media.
- Staff performed ongoing program reviews of final program reports submitted by Mock Election and College Poll Worker program grantees.

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

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

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

Goal 4 FY 2014 Accomplishments

In FY 2014, the Certification Division:

- Certified six (6) voting systems;
- Managed testing campaigns for five (5) additional systems (testing not completed as of the date of this report);
- Processed the registration of one new voting system manufacturer; (Clear Ballot Group, Inc.)
- Drafted and published four (4) Requests for Interpretation (RFIs) to the Voluntary Voting System Guidelines (VVSG);
- Drafted and published three (3) Notices of Clarification (NOCs) to Testing & Certification Program Manuals;
- Continued development and implemented major updates to EAC's Virtual Review Tool (VRT);
- Audited two (2) voting system manufacturing facilities;
- Conducted two (2) Manufacturing Quality Assurance audits;
- Held an in-person Technology Testing Agreement meeting between EAC, VSTL and non-traditional voting system manufacturer.
- Performed two (2) laboratory re-accreditation audits, and a follow-up EAC to an initial new laboratory accreditation audit.
- Held one (1) EAC VSTL Meeting and one (1) EAC voting System Manufacturers Meeting.

Strategic Plan Goal 5 is to implement a high performance organization. The anticipated outcome of the goal is that EAC proficiently carries out EAC's strategic objectives.

The three strategic objectives of Goal 5 are to improve performance, strengthen internal controls; and maximize efficiencies.

Key performance measures include implementing 90 percent of Office of the Inspector General audit recommendations within agreed upon timeframes, and to meet and exceed annual performance measures. To date, only two of the recommendations remain open pending a quorum of the Commission for final resolution.

On the metric regarding meeting annual performance measures, management continually works to foster a culture of accountability among staff. Agency directors responsible for implementation of

the EAC Strategic Plan goals report on their division metrics in the Agency Financial Report, the Annual Performance Report along with the Congressional Budget Justification, and on planned metrics in the OMB Budget Justification each September.

Towards efforts at continually improving internal controls, the agency seeks to improve staff satisfaction ratings and achieve management excellence. Directors complete assessable unit risk assessment questionnaires and individual letters of assurance, which are reviewed and rolled into the agency's Annual Statement of Assurance. EAC will continue to focus on resolution of issues identified in audits, setting up sound systems and policies and procedures, working with managers on the relationship between budget and performance, maximizing use of staff and financial resources, and training EAC staff on financial management processes and their responsibilities.

In FY 2014, EAC provided valuable financial management tools and support. All staff were offered internal control training on-site; Contracting Officer's Representative were offered financial report and accrual training; and managers held a retreat on updating performance measures in the draft EAC Strategic Plan for 2015- 2020. Agency staff is able to utilize four automated systems (procurement, travel, purchase-card, and time and attendance) via interagency agreements.

During FY 2014, to further maximize efficiencies, EAC stored hundreds of boxes of files inexpensively at the National Archives and Records Administration Federal Records Center according to their records retention schedules. Further, EAC continued its commitment made in October 2010 to reduce staff; has reassigned functions internally and uses the services of other agencies to obtain efficiencies of scale.

The agency moved to new space in a Federal building in Silver Spring, Maryland from Washington, DC. The move was consistent with Section 3 of Office of Management and Budget Memorandum 12-12 *Promoting Efficient Spending to Support Agency Operations*, and OMB Management Procedures Memorandum 2013-02 *Freeze the Footprint* policy implementing guidance. The number of square feet utilized by the agency declined from 17,548 in FY 2013 at \$52.46 per square foot (\$920,568.08) to 6,000 in FY 2014 at \$37.12 per square foot (\$222,720) after the move. The agency's move to new open office space, saved \$697,848.08 or over 75 percent on rent.

The open office space concept allows for scaling the number of staff up or down through the use of telecommuting. In FY 2014, staff was equipped with laptop computers so they could telecommute two days per week from any location. Telecommuting has been shown to improve staff's work-life balance and morale. It also helps ensure that the agency is able to implement its continuity of operations plans if needed.

Summary Performance Information

The following table presents key EAC FY 2014 program performance data. As much detailed performance information as possible will be presented, and variances discussed, in the FY 2014 Annual Performance Report due February 15, 2015 along with the FY 2016 Congressional Justification.

EAC FY 2014 Performance Summary

Program	Performance Indicator	Type of Indicator	Planned	Actual
Strategic Goal 1: Communicate				
	Issue Clearinghouse policy	Output	Final	In Final Draft (quorum required for final approval)
	Issue Policies/Procedures to process requests from outside EAC	Output	Final	In Final Draft
Strategic Goal 2: Fund and Oversee				
	Award grants within established timeframes	Output	100%	L&A round two pending quorum (to approve new Notice of Funds Availability)
	Resolve 100 percent of audit findings within established time frames.	Output	100%	88% (one audit remains open)
	Negotiate indirect cost rates within 30 days of receipt of acceptable indirect cost proposals	Output	100%	Submit requests for negotiation to HHS upon receipt (proposals are forwarded by EAC electronically to HHS for negotiation)
Strategic Goal 3: Study, Guide, Assist				
	Issue reports to Congress by statutory deadlines	Output	3	3
	Disseminate all completed research project reports to stakeholders	Output	100%	100%
Strategic Goal 4: Test and Certify				
	Produce updates to the VVSG in Fiscal years 2010 and 2014	Output		VVSG Version 1.1 revised and updated. Awaiting EAC Commissioners
	Conduct at least one review of a manufacturing facility of a registered manufacturer at least once every 4 years.	Output	1	2 (Dominion and MicroVote)
	Plan to conduct field reviews for at least 50 percent of jurisdictions that volunteer for reviews	Output	50%	N/A (No requests made in FY 2014)

Portfolio Analysis

Since 2004, EAC has received funds in three appropriations: Salaries and Expenses, Election Reform Programs, and for FY 2008 only, Election Data Collection Grants. The purpose of the Data Collection grants of \$2.0 million each to five States was to measure the costs of improving the collection of election data at the precinct level during the 2008 Federal election. In FY 2014,

the Salaries and Expenses appropriation of \$10.0 million funded a \$1.9 million transfer to NIST, staff salaries and benefits, travel, rent and telecommunications, printing, contracts, supplies and equipment.

I.C. FINANCIAL RESULTS

This analysis is intended to help readers understand EAC's financial results, position and condition as portrayed in the financial statements and notes to the statements. It explains changes in assets, liabilities, costs, revenues, obligations, and outlays; includes comparisons of FY 2014 to FY 2013; and discusses the relevance of balances and amounts in the financial statements and notes. The changes are discussed in the context of whether the year's activities improved or deteriorated the agency's financial position.

Budgetary Resources

Budgetary resources (Obligations Incurred, apportioned unobligated balances, and unobligated balances not available) are the amounts available to enter into new obligations and to liquidate them. The majority of EAC's available budgetary resources are for Requirements Payments in the Election Reform Program appropriation. Budgetary resources include new Budget Authority from appropriations and unobligated balances of Budget Authority provided in previous years in the no year Election Reform Program account.

For FY 2014, the available budgetary resources were \$19.9 million, in both FY 2014 and the restated FY 2013. In FY 2014, EAC's appropriations totaled \$10.0 million, for salaries and expenses.

The remaining unspent HAVA Section 102 payments made to the States in FY 2003 and FY 2004 were returned to EAC in FY 2014. These funds will be disbursed as HAVA Section 241 payments.

Obligations Incurred increased from \$8.1 million in the restated FY 2013 to \$6.5 million in FY 2014 primarily as a result of the disbursement of FYs 2008-2011 Requirements Payments and the reduction in the annual appropriation. Unobligated Balance – Apportioned increased from \$3.3 million in the restated FY 2013 to \$4.2 million in FY 2014.

Financial Position

Assets

EAC had \$25.9 million in total assets (Fund Balance with Treasury, Advances and Prepayments, and Other Assets) as of September 30, 2014, down from \$29.3 million in restated FY 2013. This decrease is largely the result of disbursements of Requirements Payments from FYs 2008-2011.

Liabilities

EAC had total liabilities (accounts payables, accrued payroll and benefits, and unfunded leave) of \$6.5 million as of September 30, 2013 and \$3.5 million September 30, 2014.

Net Position

Net position (Unexpended Appropriations and Cumulative Results of Operations) decreased in FY 2014 to \$22.3 million from \$22.8 million in FY 2013. Unexpended Appropriations decreased primarily due to expenditure of Requirements Payments.

Results of Operations

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

Total Net Cost of Operations (expenses in the salaries and expenses, and grant appropriations) for the EAC was \$7.9 million for Fiscal Year 2014.

Limitations of the Financial Statements

The principal financial statements have been prepared to report the financial position and results of operations of the entity, pursuant to the requirements of 31 U.S.C. 3515(b). While the statements have been prepared from the books and records of the entity in accordance with Generally Accepted Accounting Principles (GAAP) for Federal entities and the formats prescribed by the Office of Management and Budget, the statements are in addition to the financial reports that are used to monitor and control budgetary resources, which are prepared from the same books and records.

The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity.

I.D. ANALYSIS OF CONTROLS, MANAGEMENT SYSTEMS, AND LEGAL COMPLIANCE

Internal Control Environment

EAC is subject to numerous legislative and regulatory requirements that promote and support effective internal controls. EAC believes that maintaining integrity and accountability in its programs and operations is critical for good government, demonstrates responsible stewardship over assets and resources, helps ensure high-quality and responsible leadership, allows for effective delivery of services to customers, and maximizes desired program outcomes.

EAC has developed and implemented management, administrative and financial system controls that with the aim of ensuring: 1) programs and operations achieve intended results efficiently and effectively; 2) resources are used in accordance with the mission of the agency; 3) programs and resources are protected from waste, fraud and abuse; 4) program and operations activities are in compliance with laws and regulations; and 5) reliable, complete and timely data are maintained and used for decision-making.

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

Laws that help EAC improve the management of its financial operations and programs are as follows:

Federal Manager's Financial Integrity Act

The Federal Manager's Financial Integrity Act (FMFIA) of 1982 requires Executive Branch agencies to establish, maintain, and assess internal controls to ensure that agency program and financial operations are performed effectively and efficiently. To help ensure that controls have been identified and implemented, the heads of agencies must annually evaluate and report on the effectiveness of the internal control (FMFIA Section 2) and financial management systems (FMFIA Section 4) that protect the integrity of Federal programs.

Since FY 2009, EAC has incorporated the results of self-assessments of financial management internal controls to further demonstrate evaluation of internal controls.

A material weakness was identified by management beginning in FY 2008 concerning EAC's lack of effective written policies and procedures. EAC finalized records management procedures in FY 2014. EAC plans on adopting Communications and Clearinghouse Policy and National Voter Registration Act revised rules once a quorum is in place.

EAC is working with the new financial services provider to ensure internal controls over financial reporting are strong.

Entity-Wide Security Program

EAC recognizes that effective security management is critical to EAC's mission. The ability to ensure confidentiality, integrity, and availability of its information assets is essential to minimizing risks of inadvertent or deliberate misuse, fraud or destruction.

The FY 2014 Federal Information Security Management Act (FISMA) evaluation report found that EAC was in substantial compliance with FISMA requirements. Specifically, it was noted that EAC had established sufficient policies and procedures relating to its IT security program to address identified risks; implemented actions to address prior concerns relating to meeting Privacy Act requirements; established a continuous monitoring program that substantially addressed all NIST requirements (using Asset management and IT service desk utilities); provided annual security awareness training and specialized training to its IT specialists; developed and tested a contingency plan; and had established required access controls sufficient to meet identified risks.

The summary in EAC's 2014 FISMA audit shows that EAC was in substantial compliance with FISMA requirements, OMB policy and guidelines, and applicable NIST standards and guidelines for the security control areas evaluated. EAC had developed an agency-wide IT security program based upon assessed risk. The FISMA audit concluded that the security program in place provided reasonable assurance that the agency's information and information systems are appropriately protected.

Audit Follow-Up

EAC's Office of Inspector General (OIG) conducts audits and reviews of the agency's operations. The Office of the Chief Financial Officer (OCFO) works closely with EAC management and the OIG to complete actions necessary to respond to audit findings. OCFO tracks the completion of the audit recommendations in a Quarterly Audit Recommendation Tracking Report. The report is carefully reviewed by EAC and is submitted each month to Congressional Oversight staff. As of September 30, 2014, EAC has two open findings to resolve. EAC made improvements in all Agency management challenges. EAC also considers and responds to recommendations from audits and reviews conducted by the Government Accountability Office.

Federal Financial Management Improvement Act

Per OMB Bulletin No. 14-02 "Audit Requirements for Federal Financial Statements," EAC as an Accountability of Tax Dollars Act of 2002-covered agency, is not subject to the requirements of the Federal Financial Management Improvement Act.

Accountability of Tax Dollars Act of 2002

The Fiscal Year 2014 financial statement audit report identified a material weakness in internal control over financial reporting.

Federal Information Security Management Act

EAC was in compliance with the Federal Information Security Management Act at the end of FY 2014.

Inspector General Act Amendments of 1988

The EAC Office of the IG audits HAVA funds administered by recipients of HAVA grants and transmits to EAC single audit reports that present findings on HAVA funds. The principal recipients of HAVA grant funds are State governments.



U.S. Election Assistance Commission
1335 East-West Highway, Suite 4-300
Silver Spring, MD 20910
www.eac.gov

November 17, 2014


Annual Assurance Statement on Internal Control

The management of the Election Assistance Commission (EAC) is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the Federal Managers' Financial Integrity Act (FMFIA) and Office of Management and Budget (OMB) Circular A-123 *Management's Responsibility for Internal Control*. Internal control is an integral component of EAC's management that provides reasonable assurance the following objectives are being achieved: effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations.

EAC's assessment of internal controls for ensuring the effectiveness and efficiency of operations focused on assessing controls for ensuring the reliability of information associated with the performance measures presented in its strategic plan, and on self-assessments in the Office of the Chief Operating Officer and Acting Executive Director, Office of the Chief Financial Officer and program and administrative staff. With respect to assessing internal control designed to ensure the reliability of financial reporting, EAC is not required by OMB Circular A-123 to perform a separate assessment. EAC relied upon the evaluation of internal controls over financial reporting conducted by its independent auditors, on reports issued by the Inspector General, and on agency risk assessments and letters of assurance over the program offices, financial management offices (accounting, budget, grants and procurement), and administrative offices. With respect to internal controls to ensure compliance with laws and regulations, EAC relied upon the evaluation conducted by its independent auditors and the Inspector General.

In FY 2014, EAC worked to resolve one material weakness in the effectiveness of its internal control over operations: a \$2.2 million improper payment made in FY 2014 using canceled FY 2008 funds. The auditors found one material weakness in internal controls over financial management reporting. EAC and its financial services provider have implemented measures to improve internal controls, and are working to collect the funds. EAC is working with the Office of Management and Budget on the required letter to report the Anti-Deficiency Act violation.

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


Alice P. Miller

SECTION II

Financial Section

II.A. MESSAGE FROM THE CHIEF FINANCIAL OFFICER

EAC's financial statements for FY 2014 are an integral component of the Agency Financial Report (AFR). This is the seventh year in its eleven year operational existence that EAC has prepared financial statements and submitted them for audit. This is the sixth year EAC is presenting an AFR and Annual Performance Report in place of the Performance and Accountability Report. EAC presents summarized performance data in this report, and will provide detailed data in conjunction with the Fiscal Year (FY) 2016 Congressional Budget Justification.

In FY 2014, EAC received its fourth opinion on the annual Federal Information Security Management Security Act (FISMA) audits that the agency is in substantial compliance with the requirements of FISMA. The independent auditors opined that EAC has developed an agency-wide Information Technology security program that is based on assessed risk. Further, the auditors found that the program provides reasonable assurance that EAC's information and information systems are appropriately protected.

In FY 2014, EAC was able to implement recommendations in and close out the rigorous FY 2013 Acquisition and Procurement of Goods and Services independent audit covering FYs 2009 through 2012.

After receiving three unqualified financial statement audit opinions in FY 2009 through FY 2011, as described in earlier Agency Financial Reports, the agency received two disclaimer opinions on the financial statements in FY 2012 and FY 2013. The FY 2013 disclaimer was due primarily to uncertainties around disbursement of \$2.2 million from a cancelled FY 2008 fund in October 2013.

The FY 2014 audit opinion found one material weaknesses. The weakness is mandatory and is related to the FY 2013 restatement to correct entries for the \$2.2 million improper payment that resulted in a violation of the Anti-Deficiency Act. EAC issued the required letter to report the violation, and has requested that the recipient of the funds return them. To account for the disbursement, EAC introduces a Custodial Activity Statement for FY 2014. EAC will continue to work to resolve issues around the disbursement such as strengthening internal guidance on the control of funds and arranging additional staff training.

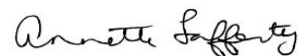
EAC continually focuses on resolution of issues identified in audits, setting up sound systems and policies and procedures, maximizing use of staff and financial resources, and training staff on financial management processes and their responsibilities. In FY 2014, EAC provided valuable financial management tools and training to its staff. All staff was offered internal control training on-site, and Contracting Officer's Representatives and financial staff were offered financial report and accrual training. Agency staff is able to utilize four automated

systems (procurement, travel, purchase-card, and time and attendance) via the economies of scale realized with interagency agreements.

During FY 2014, to maximize efficiencies, EAC staff settled into smaller open office space in Silver Spring, Maryland after moving from Washington, DC. The move was consistent with Office of Management and Budget guidance on efficient spending in support of operations and reduction of office space. The agency's move to new open office space saved nearly \$700,000 or over 75 percent on rent. EAC continues its commitment to making the space paperless by utilizing inexpensive file storage at the National Archives and Records Administration Federal Records Center in Suitland, Maryland according to retention schedules rather than in costly office space.

The open office space concept allows for scaling the number of staff up or down through the use of telecommuting. Staffing levels have been drastically reduced due to budget reductions, lack of commissioners, and uncertainty about the future of the agency. Staff is assigned different functions so that the important mission of EAC – to assist with the effective administration of Federal elections – can continue. In FY 2014, staff was equipped with laptop computers so they can telecommute two days per week from any location. Telecommuting has been shown to improve staff's work-life balance and morale. It serves another purpose of helping to ensure that the agency is experienced at telecommuting and is able to implement continuity of operations plans if needed.

Following for your review are EAC's auditor's report, and financial statements and notes.



Annette Lafferty
November 17, 2014

II.B. INSPECTOR GENERAL'S ASSESSMENT



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

November 12, 2014

Memorandum

To: Ms. Alice Miller
Acting Executive Director

From: Curtis W. Crider *Curtis W. Crider*
Inspector General, U.S. Election Assistance Commission

Subject: Audit Report of the U.S. Election Assistance Commission's Financial Statements for Fiscal Years 2014 and 2013 (Assignment No. I-PA-EAC-01-14)

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 as of September 30, 2014 and for the year then ended. The audit was performed by Brown & Company under a contract that was monitored by the Office of Inspector General (OIG). The contract required that the audit be performed in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States; Office of Management and Budget (OMB) Bulletin 14-02, *Audit Requirements for Federal Financial Statements*; and the Financial Audit Manual of the Government Accountability Office/President's Council on Integrity and Efficiency.

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, 2014, and its net costs, changes in net position, budgetary resources, and custodial activity for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

The financial statements as of and for the year ended September 30, 2013, were restated because of material adjustments. Brown & Company audited the adjustments described in Note 16 that were applied to restate the financial statements as of and for the year ended September 30, 2013. In Brown & Company's opinion, the adjustments were appropriate and had been properly applied.

The restated financial statements as of and for the year ended September 30, 2013, were not audited by a Brown & Company. Brown & Company did not express an opinion or any other form of assurance on them.

The predecessor auditors reported on the financial statements as of and for the period ended September 30, 2013 before the restatement. The financial statements as of and for the year ended September 30, 2013 were audited by Leon Snead & Company, P.C. whose report, dated December 16, 2013, expressed a disclaimer opinion on those statements. The disclaimer was due to significant and pervasive uncertainties relating to a \$2.2M grant liability accrual, as well as, the validity of remaining obligations reported for a 2008 requirement payment appropriation.

Brown & Company identified a material weakness in internal control over disbursements. EAC's controls over disbursements were not effective, to ensure disbursements were not made from a canceled fund. EAC made a \$2,266,085 disbursement from a fiscal year (FY) 2008 fund after the fund was canceled on September 30, 2013. The disbursement was unable to be authorized from the FY 2008 authority. The payment was liquidated directly from Treasury's General Fund which caused EAC to be in violation of the Anti-Deficiency Act. This also caused the agency to make an improper payment. Brown & Company determined that the responsible officials had no willful or knowing intent to violate the Anti-deficiency Act.

In its response to the draft report, the EAC indicated that it had reported the Anti-Deficiency Act violation to the President, Congress and the Comptroller General on October 21, 2014, and that the EAC was in the funds collection process. Corrective actions had been taken to remove canceling funds prior to expiration; a system control had been added; and EAC's Administrative Control of Funds Policy had been amended to emphasize OMB Circular A-II Section 130.14, and to include the Closing Act, 31 U.S. Code 1552. Staff had been counseled, will review the revised funds control policy, and are scheduled to take training in December 2014 and January 2015.

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

Brown & Company, CPAs 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 recommendation, and recommendations that have not been implemented. Therefore, we will include the information in the attached audit report in our next semiannual report to Congress. The distribution of this report is not restricted and copies are available for public inspection.

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

Attachment

II.C. INDEPENDENT AUDITORS' REPORT



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, 2014, 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 accounting principles generally accepted in the United States of America; 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 auditing standards generally accepted in the United States of America 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. 14-02, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 14-02, 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 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, 2014, and its net costs, changes in net position, budgetary resources, and custodial activity for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America 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 auditing standards generally accepted in the United States of America, 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.

Prior Year Financial Statements

The financial statements as of and for the year ended September 30, 2013, were restated because of material adjustments. We audited the adjustments described in Note 16 that were applied to restate the financial statements as of and for the year ended September 30, 2013. In our opinion, such adjustments are appropriate and have been properly applied.

The accompanying restated financial statements as of and for the year ended September 30, 2013, were not audited, and accordingly, we do not express an opinion or any other form of assurance on them.

The predecessor auditor's reported on the financial statements as of and for the period ended September 30, 2013 before the restatement. The financial statements as of and for the year ended September 30, 2013 were audited by other auditors whose report, dated December 16, 2013, expressed a disclaimer opinion on those statements. The disclaimer was due to significant and pervasive uncertainties relating to a \$2.2M grant liability accrual, as well as, the validity of remaining obligations reported for a 2008 requirement payment appropriation.

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 expressing an opinion on the effectiveness of EAC's internal control. Accordingly, we do not express an opinion on the effectiveness of EAC's internal control.

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 that might be deficiencies, significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we identified a material weakness in internal control, which states EAC's controls over disbursements were not effective, to ensure a disbursement was not made from a canceled obligation. The material weakness is described in Section I.

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 applicable 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. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* or OMB Bulletin No. 14-02. The noncompliance is described in Section 1.

Management's Responsibility for Internal Control and Compliance

EAC's management is responsible for (1) evaluating effectiveness of internal control 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 controls 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 14-02 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 controls 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 14-02 that we deemed applicable to EAC's financial statements for the fiscal year ended September 30, 2014. 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.

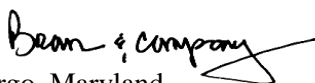
Status of Prior Year's Control Deficiencies and Noncompliance Issues

We have reviewed the status of EAC's corrective action plan with respect to the findings included in the prior year's Independent Auditors' Report, dated December 16, 2013. The status of prior year is presented in Section II.

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 Congress, and is not intended to be and should not be used by anyone other than these specified parties.


Largo, Maryland
November 3, 2014

SECTION I Material Weakness and Noncompliance

Anti-Deficiency Violation

Condition:

EAC's controls over disbursements were not effective, to ensure disbursements were not made from a canceled fund. EAC made a \$2,266,085 disbursement from a fiscal year (FY) 2008 fund after the fund was canceled on September 30, 2013. Specifically, EAC received a request for FY 2008 funds, submitted by a State in a letter to EAC dated September 6, 2013, certifying compliance with Help America Vote Act of 2002 (HAVA) Section 251 Requirements Payment funds requirements. On October 17, 2013, the agency sent a written request to its financial service provider, to disburse the funds to the State. The FY 2008 fund disbursement was made on October 25, 2013, from the canceled fund, which caused EAC to be anti-deficient.

Criteria:

31 U.S. Code Section 1552, states that "On September 30th of the 5th fiscal year after the period of availability for obligation of a fixed appropriation accounts ends, the account shall be and any remaining balance (whether obligated or unobligated) in the account shall be canceled and thereafter shall not be available for obligation or expenditure for any purpose."

OMB A-11 Section 130.14 states that legitimately incurred obligations that have not been disbursed at the time a Treasury Appropriation Fund Symbol (TAFS) is canceled cannot be disbursed from the canceled obligated or unobligated balances of the canceled TAFS.

Cause:

The FY 2008 funds were appropriated as annual funds and expired in five years; therefore, the FY 2008 fund were canceled on September 30, 2013 and returned to Department of Treasury. The disbursement was made in error from canceled funds.

Effect:

The disbursement was unable to be authorized from the FY 2008 authority. Therefore the payment was liquidated directly from Treasury's General Fund. This caused EAC to be in violation of the Anti-Deficiency Act. This also caused the agency to make an improper payment. We determined that the responsible officials had no willful or knowing intent to violate the Anti-deficiency Act.

Recommendation:

We recommend that EAC revise the agency's internal guidance on control of funds to ensure disbursements are made in accordance with OMB policy and procedures and disbursements does not violate the Anti-deficiency Act. We also recommend that EAC's responsible officials are counseled and receive additional fiscal law and program management training. In addition, we recommend that EAC report the Anti-Deficiency Act violation to the President and to Congress.

Management's Response

Management generally agrees with the recommendation. EAC's "Administrative Control of Funds Policy" references adherence to compliance with 31 USC 1341. To remediate circumstances that allowed the FY 2014 ADA violation, EAC staff will be required to retake appropriations law training in FY 2015 from GAO, and will be instructed to review EAC's Administrative Control of Funds Policy.

Auditor's Response to Management's Response

Management has presented a response to the finding identified in our report. We did not audit EAC's response and, accordingly, we express no opinion on it.

SECTION II

Status of Prior Year Recommendations

Finding No.	Finding	FY 2013 Recommendation	Status
1	Significant Uncertainties Relating to Transactions Recorded in a FY 2008 Appropriation and Reported in the 2013 Financial Statements	<ol style="list-style-type: none"> 1. Fully document all interim decisions made concerning the accrual and subsequent disbursement of the approximately \$2.2 million payment made to one grantee from 2008 appropriations. Based upon an assessment of this documentation, strengthen internal control processes at EAC and, as appropriate, request internal controls at the service provider be further strengthened in this area. 2. Take action, if EAC management officials determine, based upon authoritative legal guidance, that the 2008 requirements payment appropriation should have been canceled, to meet the reporting requirements of the ADA and OMB Circular A-136. 	<p>Open. EAC has not completed training.</p> <p>Closed.</p>
2	Interim Financial Statements Were Materially Misstated	<ol style="list-style-type: none"> 1. Ensure a comprehensive analysis of Journal Vouchers (JV) is completed prior to approving JVs prepared by service provider. Analyze the problems reported with JVs processed during 2013, and strengthen controls to preclude these errors from recurring. 2. Develop specific information requirements and financial statement preparation checklists that the service provider and EAC much complete, including affirmation that documentation is sufficient and supports all financial statements and footnotes, prior to submitting financial statements to OMB and for audit. 3. Strengthen internal controls to ensure that necessary supporting documentation for all financial statement line items and footnotes is complied, reviewed, and approved by EAC personnel before submitting the 	<p>Closed.</p> <p>Closed.</p> <p>Closed.</p>

Finding No.	Finding	FY 2013 Recommendation	Status
		<p>financial statements for audit and to OMB.</p> <p>4. Strengthen the quality control process used by EAC to ensure that financial statements reports are presented to OMB and audits are fairly stated in all material respects, and in accordance with FASAB, USSGL and OMB Circular A-136.</p>	Closed.

Finding No.	Finding	FY 2012 Recommendation	Status
1	Material Weaknesses Impacted EAC's Ability to Prepare 2012 Financial Statements.	1. Develop a detailed operating procedure that provides guidance on the preparation, review and approval of agency financial statements, and requires supporting documentation to be compiled, reviewed and approved for all financial statement line items and footnotes prior to submission for audit.	Closed.
2	Errors and Lack of Controls over Journal Vouchers Continue.	<p>1. Implement an internal control process that provides appropriate agency oversight over the JVs processed by the current service provider.</p> <p>2. Provide training to EAC accounting personnel to ensure that they have the skills to provide adequate oversight of this area.</p>	<p>Closed.</p> <p>Closed.</p>



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

To: Curtis W. Crider, Inspector General

Date: November 3, 2014

From: Alice P. Miller, Chief Operating Officer
and Acting Executive Director

A handwritten signature in blue ink, appearing to read "Alice P. Miller".

Subject: Election Assistance Commission Response to the Draft Audit Report of the U.S. Election Assistance Commission's Financial Statements for Fiscal Year 2014 (Assignment No. I-PA-EAC-01-14)

We have reviewed the Draft Audit Report and concur with the facts stated in the report and the results of the audit. As noted, a material weakness in internal control over financial reporting was identified. The agency reported the resultant Anti-Deficiency Act violation to the President, Congress and the Comptroller General on October 21, 2014, and we are in the funds collection process. Corrective actions have been taken to remove canceling funds prior to expiration; a system control has been added; and EAC's Administrative Control of Funds Policy has been amended to emphasize OMB Circular A-11 Section 130.14, and to include the Closing Act, 31 U.S. Code 1552. Staff has been counseled, will review the revised funds control policy, and are scheduled to take training in December 2014 and January 2015.

Thank you for the opportunity to respond to the auditor's report. We also appreciate your cooperation and assistance, as well as the auditor's, throughout the audit process.

II.D. FINANCIAL STATEMENTS

ELECTION ASSISTANCE COMMISSION
BALANCE SHEET
AS OF SEPTEMBER 30, 2014 AND 2013
(In Dollars)

	2014	Restated 2013
Assets:		
Intragovernmental		
Fund Balance With Treasury	\$ 22,151,806	\$ 27,774,952
Accounts Receivable	-	-
Other	531,739	287,680
Total Intragovernmental	22,683,545	28,062,632
Accounts Receivable, Net	2,283,930	1,012
Property, Equipment, and Software, Net	893,101	1,253,566
Other	-	17,638
Total Assets	\$ 25,860,576	\$ 29,334,848
Liabilities:		
Intragovernmental		
Accounts Payable	\$ 518,507	\$ 825,403
Other	27,979	15,549
Total Intragovernmental	546,486	840,952
Accounts Payable	211,356	408,467
Other	2,770,121	5,226,419
Total Liabilities	\$ 3,527,963	\$ 6,475,838
Net Position:		
Unexpended Appropriations	\$ 21,657,604	\$ 21,820,863
Cumulative Results of Operations	675,009	1,038,147
Total Net Position	\$ 22,332,613	\$ 22,859,010
Total Liabilities and Net Position	\$ 25,860,576	\$ 29,334,848

**ELECTION ASSISTANCE COMMISSION
STATEMENT OF NET COST
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013
(In Dollars)**

	2014	Restated 2013
Program Costs:		
Communications and Clearinghouse		
Gross Costs	\$ 716,562	\$ 662,201
Fund and Oversee		
Gross Costs	\$ 3,578,663	\$ 14,110,016
Research, Policy, and Programs		
Gross Costs	\$ 1,294,209	\$ 1,495,652
Testing and Certifications		
Gross Costs	\$ 2,273,479	\$ 3,039,641
Net Cost of Operations	\$ 7,862,913	# \$ 19,307,510

**ELECTION ASSISTANCE COMMISSION
STATEMENT OF CHANGES IN NET POSITION
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013
(In Dollars)**

	2014	Restated 2013
Cumulative Results of Operations:		
Beginning Balances	\$ 1,038,147	\$ 705,470
Beginning Balances, as Adjusted	1,038,147	705,470
Budgetary Financing Sources:		
Appropriations Used	7,276,848	19,459,811
Imputed Financing Sources	222,927	180,376
Total Financing Sources	7,499,775	19,640,187
Net Cost of Operations	(7,862,913)	(19,307,510)
Net Change	(363,138)	332,677
Cumulative Results of Operations	\$ 675,009	\$ 1,038,147
Unexpended Appropriations:		
Beginning Balances	\$ 21,820,863	\$ 37,668,292
Beginning Balances, as Adjusted	21,820,863	37,668,292
Budgetary Financing Sources:		
Appropriations Received	10,000,000	11,500,000
Appropriations Transferred In/Out	(1,900,000)	(2,744,500)
Other Adjustments	(986,411)	(5,143,118)
Appropriations Used	(7,276,848)	(19,459,811)
Total Budgetary Financing Sources	(163,259)	(15,847,429)
Total Unexpended Appropriations	\$ 21,657,604	\$ 21,820,863
Net Position	\$ 22,332,613	\$ 22,859,010

Election Assistance Commission

**ELECTION ASSISTANCE COMMISSION
STATEMENT OF BUDGETARY RESOURCES
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013
(In Dollars)**

	2014	Restated 2013
Budgetary Resources:		
Unobligated Balance Brought Forward, October 1	\$ 11,873,513	\$ 11,956,227
Unobligated Balance Brought Forward, October 1, as adjusted	11,873,513	11,956,227
Recoveries of Prior Year Unpaid Obligations	955,053	3,586,464
Other changes in unobligated balance	(986,412)	(4,679,940)
Unobligated balance from prior year budget authority, net	11,842,154	10,862,751
Appropriations	8,100,000	8,292,322
Spending authority from offsetting collections	1,012	784,656
Total Budgetary Resources	\$ 19,943,166	\$ 19,939,729
Status of Budgetary Resources:		
Obligations Incurred	\$ 6,466,742	\$ 8,066,216
Unobligated balance, end of year:		
Apportioned	4,241,385	3,340,944
Exempt from apportionment	-	-
Unapportioned	9,235,039	8,532,569
Total unobligated balance, end of year	13,476,424	11,873,513
Total Budgetary Resources	\$ 19,943,166	\$ 19,939,729
Change in Obligated Balance		
Unpaid Obligations:		
Unpaid Obligations, Brought Forward, October 1	\$ 15,901,439	\$ 26,534,702
Obligations Incurred	6,466,742	8,066,216
Outlays (gross)	(12,737,746)	(15,113,015)
Recoveries of Prior Year Unpaid Obligations	(955,053)	(3,586,464)
Unpaid Obligations, End of Year (Gross)	8,675,382	15,901,439
Uncollected payments:		
Uncollected Customer Payments, Federal Sources, Brought Forward, October 1	-	(20,000)
Change in Uncollected Customer Payments, Federal Sources	-	20,000
Uncollected Customer Payments, Federal Sources, End of Year	-	-
Memorandum entries:		
Obligated Balance, Start of Year	\$ 15,901,439	\$ 26,514,702
Obligated Balance, End of Year	\$ 8,675,382	\$ 15,901,439
Budget Authority and Outlays, Net:		
Budget authority, gross	\$ 8,101,012	\$ 9,076,978
Actual offsetting collections	(1,012)	(804,656)
Change in uncollected customer payments from Federal sources	-	20,000
Budget Authority, net	\$ 8,100,000	\$ 8,292,322
Outlays, gross	\$ 12,737,746	\$ 15,113,015
Actual offsetting collections	(1,012)	(804,656)
Outlays, net	12,736,734	14,308,359
Distributed Offsetting Receipts	-	-
Agency outlays, net	\$ 12,736,734	\$ 14,308,359

**ELECTION ASSISTANCE COMMISSION
STATEMENT OF CUSTODIAL ACTIVITY
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013
(In Dollars)**

	2014	Restated 2013
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	1,265	-
Total Cash Collections	1,265	-
Accrual Adjustments	2,266,085	-
Total Custodial Revenue	2,267,350	-
Disposition of Collections:		
Transferred to Others (by Recipient)	1,265	-
Increase/(Decrease) in Amounts Yet to be Transferred	2,266,085	-
Refunds and Other Payments	-	-
Retained by the Reporting Entity	-	-
Net Custodial Activity	\$ -	\$ -



Election Assistance Commission

II.E. 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.

By statute four EAC commissioners are appointed by the president and confirmed by the United States Senate. The Agency does not have commissioners at this time. 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.

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 or grant, a receivable is recorded. 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 2014.

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 2014 and 2013 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, 2014 and 2013, were as follows:

	2014	2013
Fund Balances:		
Appropriated Funds	\$22,151,806	\$27,774,952
Total	\$22,151,806	\$27,774,952

Status of Fund Balance with Treasury:

Unobligated Balance		
Available	\$ 4,241,385	\$ 3,340,944
Unavailable	9,235,039	8,532,569
Obligated Balance Not Yet Disbursed	8,675,382	15,901,439
Total	\$22,151,806	\$27,774,952

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, 2014 and 2013, were as follows:

	2014	2013
Intragovernmental		
Accounts Receivable	\$ -	\$ -
With the Public		
Accounts Receivable	2,283,723	-
Employee Receivables	207	1,012
Total Accounts Receivable	\$2,283,930	\$1,012

The accounts receivable is primarily made up of a receivable for \$2,266,085 due to an improper payment (see note 15). The receivable is classified as a non-entity asset. A non-entity asset is one that is not available for use in its operations.

NOTE 4. ADVANCES AND PREPAYMENTS

Advances and Prepayments balances as of September 30, 2014 and 2013, were as follows:

	2014	2013
Intragovernmental		
Advances and Prepayments	\$531,739	\$287,680
With the Public		
Advances and Prepayments	-	17,638
Total Other Assets	\$531,739	\$305,318

NOTE 5. PROPERTY, EQUIPMENT, AND SOFTWARE

Schedule of Property, Equipment, and Software as of September 30, 2014

Major Class	Acquisition Cost	Accumulated Amortization/Depreciation	Net Book Value
Leasehold Improvements	\$ 771,037	\$ 697,175	\$ 73,862
Furniture & Equipment	902,626	638,650	263,976
Software	172,721	127,918	44,803
Construction-in-Progress	434,793	N/A	434,793
Software-in-Development	75,667	N/A	75,667
Total	\$ 2,356,844	\$ 1,463,743	\$ 893,101

Schedule of Property, Equipment, and Software as of September 30, 2013

Major Class	Acquisition Cost	Accumulated Amortization/Depreciation	Net Book Value
Leasehold Improvements	\$ 675,216	\$ 590,814	\$ 84,402
Furniture & Equipment	1,389,721	886,350	503,371
Software	172,721	93,375	79,346
Construction-in-Progress	530,614	N/A	530,614
Software-in-Development	55,833	N/A	55,833
Total	\$ 2,824,105	\$ 1,570,539	\$1,253,566

Depreciation expense was \$294,705 and \$406,668 for the twelve months ending September 30, 2014 and 2013, respectively.

NOTE 6. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The liabilities for EAC as of September 30, 2014 and 2013, 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.

	2014	2013
Intragovernmental – FECA	\$ 234	\$ 1,057
Intragovernmental – Unemployment Insurance	5,536	-
Unfunded Leave	230,166	215,345
Total Liabilities Not Covered by Budgetary Resources	\$ 235,936	\$ 216,402
Total Liabilities Covered by Budgetary Resources	3,292,027	6,259,436
Total Liabilities	\$3,527,963	\$6,475,838

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, 2014 were as follows:

	Current	Non Current	Total
Intragovernmental			
FECA Liability	\$ 738	\$ -	\$ 738
Unemployment Insurance Liability	10,921	-	10,921
Payroll Taxes Payable	16,320	-	16,320
Total Intragovernmental Other Liabilities	\$ 27,979	\$ -	\$ 27,979
With the Public			
Payroll Taxes Payable	\$ 2,398	\$ -	\$ 2,398
Accrued Funded Payroll and Leave	67,751	-	67,751
Unfunded Leave	230,166	-	230,166
Custodial Liability	2,266,085	-	2,266,085
Other Liabilities w/related Budgetary Obligations	203,721	-	203,721
Total Public Other Liabilities	\$2,770,121	\$ -	\$2,770,121

Other liabilities account balances as of September 30, 2013 were as follows:

	Current	Non Current	Total
Intragovernmental			
FECA Liability	\$ 1,795	\$ -	\$ 1,795
Payroll Taxes Payable	13,754	-	13,754
Total Intragovernmental Other Liabilities	\$ 15,549	\$ -	\$ 15,549

With the Public			
Payroll Taxes Payable	\$ 2,247	\$ -	\$ 2,247
Accrued Funded Payroll and Leave	62,756	-	62,756
Unfunded Leave	215,345	-	215,345
Other Liabilities w/related Budgetary Obligations	4,946,071	-	4,946,071
Total Public Other Liabilities	\$5,226,419	\$ -	\$5,226,419

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.

Scheduled of Future Lease Payments

Fiscal Year	Building	Totals
2015	\$230,432	\$ 230,432
2016	232,198	232,198
2017	234,002	234,002
2018	235,842	235,842
2019	19,675	19,675
Total Future Payments	\$952,149	\$ 952,149

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

NOTE 9. INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE

Intragovernmental 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:

	2014	2013
Communications and Clearinghouse		
Intragovernmental Costs	\$ 199,678	\$ 103,647
Public Costs	516,884	558,554
Total Costs	716,562	662,201
Fund and Oversee		
Intragovernmental Costs	\$ 997,236	\$ 2,467,686
Public Costs	2,581,427	11,642,330
Total Costs	3,578,663	14,110,016
Research, Policy, and Programs		
Intragovernmental Costs	\$ 360,646	\$ 234,097
Public Costs	933,563	1,261,555
Total Costs	1,294,209	1,495,652
Testing and Certification		
Intragovernmental Costs	\$ 633,532	\$ 475,761
Public Costs	1,639,947	2,563,880
Total Costs	2,273,479	3,039,641
Total Intragovernmental costs	2,191,092	3,281,191
Total Public costs	5,671,821	16,026,319
Total Net Cost	\$ 7,862,913	\$19,307,510

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

The President’s Budget that will include fiscal year 2014 actual budgetary execution information has not yet been published. The President’s Budget is scheduled for publication in February 2015 and can be found at the OMB Web site: <http://www.whitehouse.gov/omb/>. The 2015 Budget of the United States Government, with the "Actual" column completed for 2013, has been reconciled to the Statement of Budgetary Resources and there were no material differences.

The budget that includes the fiscal year 2013 actual execution information is as follows:

FY2013	Budgetary Resources	Obligations Incurred	Net Outlays
Statement of Budgetary Resources	\$19,939,729	\$ 8,066,216	\$14,308,359
Spending Authority from Offsetting			
Collections	(784,656)		
Unobligated Balance Not Available	(8,532,569)		
Rounding	(1,622,504)	(66,216)	(308,359)
Budget of the U.S. Government	\$9,000,000	\$8,000,000	\$14,000,000

NOTE 11. APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED

Obligations incurred and reported in the Statement of Budgetary Resources in 2014 and 2013 consisted of the following:

	2014	2013
Direct Obligations, Category B	\$6,466,742	\$8,066,216
Total Obligations Incurred	\$6,466,742	\$8,066,216

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, 2014 and 2013, budgetary resources obligated for undelivered orders amounted to \$8,181,178 and \$9,947,320, respectively.

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.

	2014	2013
Resources Used to Finance Activities		
Budgetary Resources Obligated		
Obligations Incurred	\$6,466,742	\$ 8,066,216
Spending Authority from Offsetting Collections and Recoveries	(956,065)	(4,371,120)
Obligations Net of Offsetting Collections and Recoveries	5,510,677	3,695,096
Other Resources		
Imputed Financing from Costs Absorbed by Others	222,927	180,376
Net Other Resources Used to Finance Activities	222,927	180,376
Total Resources Used to Finance Activities	5,733,604	3,875,472
Resources Used to Finance Items Not Part of the Net Cost of Operations		
Total Resources Used to Finance Items Not Part of the Net Cost of Operations		
Cost of Operations	1,745,486	15,025,370
Total Resources Used to Finance the Net Cost of Operations	7,479,090	18,900,842
Components of the Net Cost of Operations That Will Not Require or Generate Resources in the Current Period		
Total Components of Net Cost of Operations That Will Not Require or Generate Resources in the Current Period		
	383,823	406,668
Net Cost of Operations	\$7,862,913	\$19,307,510

NOTE 14. REQUIREMENT PAYMENTS AND GRANT PROGRAMS

The EAC Requirements Payments and Grant programs are funded through annual appropriations. The largest of the grant programs is the Help American Vote Act (HAVA) Section 251 Requirements Payments to the states to help them meet the Title III requirements of HAVA. The EAC periodically receives additional grant money to fund grant programs such as Research of Voting Technology Improvements, College Poll Worker and Mock Election grants.

	2014	2013
FY 2009 Section 251 Requirement Payments	2,070,509	-
FY 2010 Section 251 Requirement Payments	1,449,356	4,292,871
FY 2011 Section 251 Requirement Payments	172,994	221,853
College Poll Worker Grants	-	53,377
Accessible Voting Technology	2,429,159	2,809,602
Logic and Accuracy Grant Program	236,499	485,600
Mock Election Grants	-	17,118
Net Cost of Operations	\$6,358,517	\$7,880,421

NOTE 15. IMPROPER PAYMENT

On October 26, 2013 funds were improperly disbursed on behalf of EAC in the amount of \$2,266,085. The supporting payment request was initiated in September and was intended to satisfy a valid grant obligation from Treasury Account Symbol 95 8 1651, Election Reform Programs (FY08 appropriation). In accordance with the current account closing procedures, authority in the FY08 appropriation cancelled on September 30, 2013. Due to the cancellation of the FY08 appropriation, the disbursement made in October was unfunded and therefore made from the General Fund of the Treasury.

The improper payment is a violation of the Anti-Deficiency Act (ADA). EAC notified OMB and GAO of the violation, as required, and is actively pursuing corrective actions, including efforts to collect from the grantee. In the event that EAC recovers any balance from the grantee, these collections would be deposited to the General Fund of the Treasury. It is unclear whether EAC will recover the payment from the recipient.

The improper payment remains unclassified in the Fund Balance with Treasury reporting process, and therefore is a Statement of Difference for EAC’s agency location code. The Statement of Difference will remain until the improper payment is classified.

Since the improper payment was made from the General Fund and not funds available to EAC in FY2014, the disbursement transaction is properly classified as a custodial receivable and liability on the Balance Sheet and custodial revenue on the Statement of Custodial Activity.

NOTE 16. RESTATEMENT of FY13 FINANCIAL STATEMENTS

EAC's Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position and Statement of Budgetary Resources have been restated to correct the financial reporting for the following reasons:

1. FY 2013 financial statements incorrectly reflected \$3,186,085 in Fund Balance with Treasury: \$2,266,085 in a single expenditure, and \$920,000 in obligations to four grantees.
2. The \$3,186,085 originated from a one year FY 2008 appropriation, and was therefore warranted with Treasury and apportioned with the Office of Management and Budget as one year funds (95 08 1650, with the "08" representing single year funds available for five years). Additionally, EAC provided guidance in FY 2009 to its grantees that the funds were available to them through September 30, 2013.
3. EAC approved the disbursement of the \$2,266,085 funds on September 30, 2013, and then requested disbursement of the funds after two forms, not material to the approval of the disbursement, were received from the grantee on October 1 and 2, 2013. The disbursement request occurred on October 17, 2014, the first day the agency was open after a partial government shutdown.
4. The agency's contractual financial service provider (FSP) disbursed the funds that canceled the previous month, and it is not clear if the funds had not been removed from the books timely or if the financial system lacked controls to stop the disbursement. The disbursement was therefore made from the U.S. Department of Treasury from the General Fund because the funds were no longer available to EAC.
5. EAC, working with its FSP, began to take steps at the end of FY 2014 to retrieve the funds from the grantee, and return them to the Treasury General Fund. The FY 2008 obligations totaling \$920,000 were removed.
6. The restatement reflects the improper payment as unclassified in the Fund Balance with Treasury.

See chart below for overview of the restatement:

Financial Statement	Adjustment Lines	Previously Reported Amount	Adjustment Amount	Restatement Amount	Explanation for Adjustment
Balance Sheet	Fund Balance With Treasury	\$ 30,961,037.00	\$ (3,186,085.00)	\$ 27,774,952.00	Included cancelled FY08 funds in error
Balance Sheet	Total Intragovernmental	\$ 31,248,717.00	\$ (3,186,085.00)	\$ 28,062,632.00	Cumulative of error listed above
Balance Sheet	Total Assets	\$ 32,520,933.00	\$ (3,186,085.00)	\$ 29,334,848.00	Cumulative of error listed above
Balance Sheet	Liabilities, Other	\$ 7,492,504.00	\$ (2,266,085.00)	\$ 5,226,419.00	Included accrued liability for cancelled FY08 fund in error
Balance Sheet	Total Liabilities	\$ 8,741,923.00	\$ (2,266,085.00)	\$ 6,475,838.00	Cumulative of error listed above
Balance Sheet	Unexpended Appropriations	\$ 22,740,863.00	\$ (920,000.00)	\$ 21,820,863.00	Included appropriations for cancelled FY08 fund in error
Balance Sheet	Total Net Position	\$ 23,779,010.00	\$ (920,000.00)	\$ 22,859,010.00	Cumulative of error listed above
Balance Sheet	Total Liabilities and Net Position	\$ 32,520,933.00	\$ (3,186,085.00)	\$ 29,334,848.00	Cumulative of liabilities and net position errors listed above
Statement of Net Cost	Gross Costs, Fund and Oversee	\$ 16,376,101.00	\$ (2,266,085.00)	\$ 14,110,016.00	Included accrued expense for cancelled FY08 fund in error
Statement of Net Cost	Net Cost of Operations	\$ 21,573,595.00	\$ (2,266,085.00)	\$ 19,307,510.00	Cumulative of error listed above
Statement of Changes in Net Position	Appropriations Used	\$ 21,725,896.00	\$ (2,266,085.00)	\$ 19,459,811.00	Included expense accrual for cancelled FY08 fund in error
Statement of Changes in Net Position	Total Financing Sources	\$ 21,906,272.00	\$ (2,266,085.00)	\$ 19,640,187.00	Cumulative of error listed above
Statement of Changes in Net Position	Net Cost of Operations	\$ (21,573,595.00)	\$ 2,266,085.00	\$ (19,307,510.00)	Cumulative of error listed above
Statement of Changes in Net Position	Other Adjustments	\$ (1,957,033.00)	\$ (3,186,085.00)	\$ (5,143,118.00)	Omitted in error the adjustment to cancel FY08 fund
Statement of Changes in Net Position	Appropriations Used	\$ (21,725,896.00)	\$ 2,266,085.00	\$ (19,459,811.00)	Included expense accrual for cancelled FY08 fund in error
Statement of Changes in Net Position	Total Budgetary Financing Sources	\$ (14,927,429.00)	\$ (920,000.00)	\$ (15,847,429.00)	Cumulative of error to cancel FY08 fund and expense accrual error
Statement of Changes in Net Position	Total Unexpended Appropriations	\$ 22,740,863.00	\$ (920,000.00)	\$ 21,820,863.00	Cumulative of errors listed above
Statement of Changes in Net Position	Net Position	\$ 23,779,010.00	\$ (920,000.00)	\$ 22,859,010.00	Cumulative of errors listed above
Statement of Budgetary Resources	Recoveries of Prior Year Unpaid Obligations	\$ 400,379.00	\$ 3,186,085.00	\$ 3,586,464.00	Omitted recoveries in error for cancelled FY08 obligations
Statement of Budgetary Resources	Other Changes in Unobligated Balance	\$ (1,493,855.00)	\$ (3,186,085.00)	\$ (4,679,940.00)	Omitted in error the adjustment to cancel FY08 fund

Financial Statement	Adjustment Lines	Previously Reported Amount	Adjustment Amount	Restatement Amount	Explanation for Adjustment
Statement of Budgetary Resources	Recoveries of Prior Year Unpaid Obligations	\$ (400,379.00)	\$ (3,186,085.00)	\$ (3,586,464.00)	Omitted recoveries in error for cancelled FY08 obligations
Statement of Budgetary Resources	Unpaid Obligations, End of Year (Gross)	\$ 19,087,524.00	\$ (3,186,085.00)	\$ 15,901,439.00	Cumulative of error in recoveries listed above
Statement of Budgetary Resources	Obligated Balance, Start of Year	\$ 26,494,702.00	\$ 20,000.00	\$ 26,514,702.00	Subtracted the offsetting collections double in error
Statement of Budgetary Resources	Obligated Balance, End of Year	\$ 19,087,524.00	\$ (3,186,085.00)	\$ 15,901,439.00	Included obligations for the cancelled FY08 fund in error

**II.F. REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION
(UNAUDITED)**

Non-Federal Physical Property

Stewardship investments are substantial investments made by the Federal Government for the benefit of the nation but are not physical assets owned by the Federal Government. When incurred, they are treated as expenses in determining the net cost of operations. However, these items merit special treatment so that users of Federal financial reports know the extent of investments that are made for long-term benefit. Such investments are measured in terms of expenses incurred for non-Federal physical property, human capital, and research and development. In October 2002, Congress passed the Help America Vote Act (HAVA). A major provision of HAVA, Title III *Uniform and Nondiscriminatory Election Technology and Administration Requirements*, sets forth requirements for each voting system used in an election for Federal office. This chart shows expenditures using Federal HAVA funds for voting and voting-related equipment, as well as applied voting research by States and other agency grantees. Amounts are reported in the fiscal year proceeding the year the expense was incurred.

Type	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Sect. 102 Funds	\$ 19,905,709	\$ 36,838,905	\$ (163,130)	\$ 0	\$ 0	\$ 0
Sect. 251 Funds	262,018,224	143,247,989	105,087,464	39,863,820	42,571,196	41,936,200
Data Collection Grants	447,650	167	(235)	130	198	N/A
Total	\$282,371,583	\$180,087,061	\$104,192,794	\$108,662,412	\$24,955,783	\$41,936,200

Section 102 Funds. Section 102 funds were disbursed to States for the primary purpose of replacing punch card or lever voting machines. As such, Section 102 funds have been used to purchase physical property.

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

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

Research and Development

The EAC has two research and development initiatives that were completed in 2014. These initiatives provided funds to support the search for new or improved election voting technology that increases the accessibility and accuracy of voting for all citizens. Costs incurred on these initiatives are included in the calculation of net costs.

Initiative	Fiscal Year 2013	Fiscal Year 2014
Accessible Voting Disability Technology	\$2,809,602	\$3,692,859
Logic and Accuracy	485,600	236,649
Total	\$3,295,202	\$3,929,508

Accessible Voting Disability Technology Initiative

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

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

The U.S. Election Assistance Commission has awarded \$1.4 million in grant funds to develop and document processes and best practices for coordinating quality and cost-effective A) voting system pre-election logic and accuracy testing (L&A) and B) post-election audits. Funds will support the research, development, documentation, and dissemination of a range of procedures and processes used in managing and conducting high-quality L&A testing and post-election audit activities by type of voting method, vendor-specific equipment, jurisdiction size, or other ways.

SECTION III

Other Accompanying Information

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



U.S. ELECTION ASSISTANCE COMMISSION
Office of Inspector general

October 14, 2014

Memorandum

To: Alice Miller
Acting Executive Director

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

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

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

This year's management challenges fall into two categories: (1) performance management and accountability and (2) records management. We have noted the progress that EAC has made on each of the challenges identified.

If you have any questions or need additional information, please call me at (301) 734 3104.

Attachment



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

**U.S. ELECTION ASSISTANCE COMMISSION
MANAGEMENT AND PERFORMANCE CHALLENGES**

Introduction

The Reports Consolidation Act of 2000 requires the Office of Inspector General (OIG) to report annually on what it considers to be the most serious management and performance challenges facing the U.S. Election Assistance Commission (EAC). Management challenges are derived from cross-cutting issues that arise during our regular audit, evaluation and investigatory work. They are also influenced by our general knowledge of the agency's operations and the works of other evaluative bodies such as the Government Accountability Office (GAO).

For fiscal year (FY) 2014, the OIG is reporting on two management and performance challenges facing the EAC. Each of these management challenges have been reported in prior years:

- Performance Management and Accountability
- Records Management

CHALLENGE 1: PERFORMANCE MANAGEMENT AND ACCOUNTABILITY

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

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

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



U.S. ELECTION ASSISTANCE COMMISSION MANAGEMENT AND PERFORMANCE CHALLENGES

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

EAC's Progress

EAC has made progress toward the development of a strategic direction for the agency as well as the implementing policies and procedures that flow from the strategic plan.

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

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

CHALLENGE 2: RECORDS MANAGEMENT

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

Maintaining complete and accurate records of the operations, policy, procedure and practice of an agency are critical to the effective operation of the agency. Without these records, the agency cannot retain an institutional knowledge. The EAC, like many other federal government agencies, has seen turn over in its staff



U.S. ELECTION ASSISTANCE COMMISSION MANAGEMENT AND PERFORMANCE CHALLENGES

and leaders. Since its inception, the EAC has had seven Commissioners. Likewise, program directors have come and gone. Furthermore, retention of government records is mandated by federal law.

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

The OIG first noted the EAC's lack of a records management system in 2008, when it issued the Assessment of EAC's Program and Financial Operations. Since that time, the OIG has conducted several audits and evaluations of EAC and its programs that have revealed a continuing problem with maintaining records. Most recently, in 2010, the OIG audited a grant distributed by the EAC. EAC staff was unable to locate the file related to that grant. Furthermore, even after repeated requests for records related the grant, the EAC failed to provide even a single email from the previous grants director under whose administration the grant was awarded. The EAC disbursed payment on that grant without records of whether and to what extent the grantee had performed services commensurate with the grant proposal and award.

The continued failure to adopt and implement an approved system for records retention at the very least leaves the EAC vulnerable to suit by information requesters and at worst susceptible to waste, fraud, or abuse of its resources and the intentional destruction of government records in violation of federal law. The EAC must take immediate steps to adopt a records management system, obtain approval of that system from the National Archives and Records Administration, and train its staff on the proper retention of federal government records.

EAC's Progress

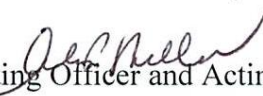
The records retention schedules for the Office of Inspector General, Commissioners/Executive and the National Voter Registration Act records that were received from the Federal Election Commission have been approved by the National Archives and Records Administration (NARA). The records retention schedules for Human Resources, the Office of General Counsel, Chief Financial Officer, Grants and Communications will be submitted to NARA for approval by the end of October 2014. The schedule for the Research Division is in the development stages. The schedule for Testing and Certification is being revised based on guidance from NARA.

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



U.S. Election Assistance Commission
1335 East-West Highway, Suite 4-100
Silver Spring, MD 20910
www.eac.gov

To: Curtis W. Crider
Inspector General

From: Alice Miller 
Chief Operating Officer and Acting Executive Director

Date: October 16, 2014

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

The Election Assistance Commission (EAC) concurs with your statement dated October 14, 2014 that in the area of performance management and accountability, there are two outstanding items to resolve. As you noted, the outstanding policies, including the Communications and Clearinghouse handbook and National Voter Registration Act policy and procedures, are drafted and ready for adoption by a quorum of Commissioners which the agency does not have at this time.

The second outstanding major challenge is a records retention schedule for EAC. Subsequent to the agency's meeting on October 16, 2014 with the assigned Archivist from the National Archives and Records Administration, the current status of EAC records managements appears to be "light years ahead of any of the agencies that are dealt with..." The determination, based on her review, is that the vast majority of the agency records are within the General Records Schedule (GRS). As such, HR, CFO, Grants, Commissioners/Executive Office (which includes COO and ED), CIO, GC, IG and NVRA are completed. The records for Communications, Research and Testing and Certification are currently under review. Those records are being prepared to be submitted for approval during FY 2015.

III.C. IMPROPER PAYMENTS

The Improper Payments Act requires each Federal agency to assess all programs and identify which, if any, may be subject to high risk with respect to improper payments. For fiscal year 2014 EAC does not believe that it has any programs where the erroneous payments could exceed 2.5 percent of program payments or \$10.0 million threshold (set in OMB Guidance) to trigger further agency action.

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

SUMMARY OF FISCAL YEAR 2014 FINANCIAL STATEMENT AUDIT						
Audit Opinion		Unmodified				
Restatement		FY 2013				
Material Weaknesses		Beginning Balance	New	Resolved	Consolidated	Ending Balance
Financial Accounting & Reporting		1	1	1	0	1
Total Material Weaknesses		1	1	1	0	1
Summary of Management Assurances						
Statement of Assurance (FMFIA§ 2)		Qualified				
Material Weaknesses (FMFIA§ 4)		Systems conform to financial management system requirements				
No.	Summary	Beginning Balance	New	Resolved	Consolidated	Ending Balance
1	Material Weaknesses (FMFIA§ 2)	1	0	0	0	1
	Total	1	0	0	0	1

