



TESTIMONY OF

**HONORABLE CURTIS W. CRIDER
INSPECTOR GENERAL
U.S. ELECTION ASSISTANCE COMMISSION**

BEFORE THE

**HOUSE COMMITTEE ON HOUSE ADMINISTRATION,
SUBCOMMITTEE ON ELECTIONS
U.S. HOUSE OF REPRESENTATIVES**

APRIL 1, 2009



TESTIMONY OF THE U. S. ELECTION ASSISTANCE COMMISSION OFFICE OF
INSPECTOR GENERAL BEFORE THE HOUSE COMMITTEE ON HOUSE
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Chairwoman Lofgren, Ranking Member McCarthy, and Members of the Subcommittee, thank you for inviting me to testify today. I am pleased to be here this morning to discuss the activities of the Office of Inspector General (OIG) and to provide insight as to the effectiveness of financial controls in place and efficiency of programs operated by the U.S. Election Assistance Commission (EAC).

INTRODUCTION

The EAC is a bipartisan Commission created and authorized by the Help America Vote Act of 2002 (HAVA). The OIG is an independent division of EAC required by HAVA and the Inspector General Act of 1978 (IG Act) and created by the EAC in 2005. Our office is comprised of three full-time staff: the Inspector General, the Director of Audits, and Counsel to the Inspector General. We also contract with an outside firm for audit support and use the investigative services of other Federal agencies, when necessary.

The OIG strives to promote economy, efficiency and effectiveness in the EAC programs. To accomplish this goal, the OIG conducts regular audits of recipients of grant funds distributed by the EAC, annual financial audits of EAC's operations, and periodic reviews and audits of EAC program operations. In addition, the OIG conducts investigations in response to allegations against the EAC, its grant recipients, or third parties involved in EAC programs.

OIG ACTIVITIES AND PROJECTS

The following section will discuss three activities or projects of the OIG: auditing grant programs, conducting investigations of grant recipients or third parties related to EAC programs, and conducting audits and investigations of EAC programs and operations. However, I will focus on the OIG audits of grant recipients and the EAC.

Auditing Grant Programs

Section 902 of HAVA gives the EAC and other agencies making a grant or payment the authority to conduct audits of any recipients of funds. The EAC is further authorized to conduct regular audits of funds distributed by the EAC pursuant to HAVA. The OIG conducts those audits on behalf of the EAC. To fulfill that mission, the OIG has established a program for auditing or reviewing EAC grant recipients focusing on states that have disbursed or obligated the most money distributed under the requirements payments program of HAVA. The objectives of the audits are to determine whether the state: (1) expended HAVA payments in accordance with the HAVA and related administrative requirements; and (2) complied with the HAVA requirements for replacing punch card or lever voting machines, establishing an election fund, appropriating a 5 percent match for requirements payments, and maintaining state expenditures for elections at a level not less than expended in the state's base fiscal year.



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Since the inception of the audit program, the OIG has audited 19 states¹ and through these audits reviewed the expenditure of nearly \$800 million. The audits resulted in questioning more than \$11.7 million in expenditures by the states and identifying more than \$10.7 million in additional funds, which the states must use for HAVA program purposes.

The OIG grant audit program has been very successful at identifying needed improvements to state administration of HAVA funds and increasing the amount of HAVA funds committed to HAVA purposes at a low cost to the government. The total cost of OIG audits of EAC grant recipients has been a little more than \$2 million over the past three fiscal years. From this investment, the OIG has identified nearly \$22.4 million in audit findings, which equates to a return on investment of approximately 11 to 1. EAC management has upheld more than \$20.9 million of the \$22.4 million in audit findings identified by the OIG.

By and large, we have found that states are not misusing HAVA funds. The findings involving the greatest dollar amounts have come when states have not deposited the required amount of matching funds in the states' election funds. The most common findings that we have issued in HAVA grant recipient audits are:

- ✗ **Inadequate accounting** – not keeping separate records of grant expenditures;
- ✗ **Non-competitive contracting** – failure to compete a contract or otherwise comply with state contracting rules;
- ✗ **Unsupported salaries** – e.g., no time sheets or other documentation to support salary expenses for persons working on HAVA activities;
- ✗ **Unsupported transactions** – e.g., items purchased are not supported by vendor invoices or state payment vouchers;
- ✗ **Improper election fund** – e.g., election fund maintained in an account that is not interest bearing;
- ✗ **Incomplete equipment records** – failure to sufficiently inventory and tag equipment;
- ✗ **Failure to account for program income** – applicable income earned from use of HAVA funds not tracked, returned to the state's election fund and used for HAVA purposes;
- ✗ **Undocumented maintenance of effort** – state did not identify the amount of money that it must spend each year to meet HAVA's maintenance of effort requirement or did not document how its expenditures are equal to or greater than that amount;

¹ New Jersey, Georgia, California, Missouri, Wyoming, Kentucky, Maryland, Ohio, Virginia, Indiana, Pennsylvania, South Carolina, Illinois, Texas, Minnesota, New Mexico, Florida, Washington, and North Carolina.



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- ✖ **Unapproved equipment purchase** – state did not obtain required EAC prior approval for certain equipment purchases and improvements to real property;
- ✖ **Understated matching funds** – state failed to appropriate the required 5 percent match;
- ✖ **Lost interest** – HAVA funds and matching funds not kept in an interest bearing account and all interest earned not dedicated to use for HAVA purposes;
- ✖ **Deficient monitoring of county accounts** – the state not effectively tracking HAVA funds distributed to counties;
- ✖ **Spent HAVA funds on ineligible or unsupported activities** – e.g., speech writing and coloring books;
- ✖ **Duplicate costs** – costs billed twice (or more) to the HAVA account; and
- ✖ **Weak cash management of county grants** – counties that receive HAVA funds by subaward from the state are responsible to follow the same rules that apply to the state in using and managing HAVA funds.

We attribute most of our findings to the lack of expertise by chief state election officials in administering HAVA funds. As states move forward with implementing their election reforms and using HAVA funds, there are a number of lessons that can be learned from these audits. Documentation and sound accounting practices are critical to a program geared to effect change in the election system while preventing waste, fraud and abuse. It is, in fact, better to ask permission than beg for forgiveness. The price for misspending Federal funds is high not only for the official responsible for the program but also for the taxpayers of his/her state. If it is not clear whether HAVA funds can be used for certain activities, the EAC has a process for requesting advisory opinions regarding the use of HAVA funds. States should make use of that process to ensure that their purchases are for approved purposes.

The OIG will continue to concentrate on state administration of HAVA funds. Most of the 55 states and jurisdictions that received HAVA funds can expect a visit from the OIG in the coming years. Even the 19 states on which we have issued audit reports will likely be audited again as many had not used all or even most of their HAVA funds at the time of the initial audit. The OIG will select states for audit based upon the greatest risk, which generally correlates to the states that have spent the most money. In Fiscal Year 2009, the OIG plans to conduct audits of the following states: California, Wisconsin, Louisiana, Connecticut, West Virginia, Mississippi, Arizona, Utah, Tennessee, Arkansas and Alabama. However, audits of additional or alternative jurisdictions may be conducted if circumstances necessitate immediate review.² Four audits are ongoing. Those cover the following states: California, Rhode Island, Iowa and Michigan.

² The OIG has been monitoring the events in Hillsborough County, Florida that have drawn recent media attention. We are working with the state of Florida to ensure that they properly review the expenditures of that local election office.



External Investigations

When allegations are made concerning the misappropriation of HAVA funds, the OIG is responsible for investigating those allegations. The OIG operates a hotline for members of the public to make complaints or allegations of waste, fraud, abuse and mismanagement and the OIG website permits anonymous on-line complaint submission. Complaints can be submitted on-line at www.eac.gov/eac_ig.

The OIG does not currently employ an investigator; thus, when issues for an investigation arise, the OIG contracts with other Federal government agencies for investigative services. The OIG has conducted one external investigation which involved a voting system testing laboratory's review of voting equipment. The report was issued in December 2007, [Report of Investigation: Allegations of Fraudulent Certification of Election Equipment by SysTest Labs, Incorporated](#).

Internal Audits and Investigations

The OIG is also responsible for conducting reviews, audits, evaluations, inspections and investigations of EAC's programs, policies, procedures, and actions. Over the past several years, the OIG has issued seven reports regarding EAC's operations. These reports assess the efficiency of EAC's operation and its compliance with governing statutes and regulations, including compliance with the Federal Information Security Management Act (FISMA) and compliance with the Federal Travel Regulations. The following reports have been issued:

- [Improvements Needed in the Management of Travel by the Election Assistance Commission](#)
- [Non Compliance with the Federal Information Security Management Act by the U.S. Election Assistance Commission, 2006](#)
- [Noncompliance with the Federal Information Security Management Act by the U.S. Election Assistance Commission, 2007](#)
- [Assessment of EAC's Program and Financial Operations](#)
- [U.S. Election Assistance Commission Federal Information Security Management Act 2008 Independent Evaluation Report](#)
- [U.S. Election Assistance Commission Internet Usage](#)
- [Audit of U.S. Election Assistance Commission's Compliance with Section 522 of the 2005 Consolidated Appropriations Act](#)

In Fiscal Year 2008, EAC received an appropriation that made it subject to the Chief Financial Officers Act of 1990 (CFO Act). The CFO Act required EAC to undergo an audit of its financial statements and financial management practices. OIG issued a report on EAC's financial management status in November 2008, [Audit of U.S. Election Assistance Commission's Fiscal Year 2008 Financial Statements](#). Because EAC's Fiscal



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Year 2009 appropriation exceeds \$25 million, EAC will undergo a financial statement audit in the current fiscal year.

All of these audits, reviews and assessments except one - Internet Usage - contained findings and recommendations for the EAC to improve its processes. The Internet Usage report reviewed agency employees' use of the Internet particularly as it related to gambling, pornographic, and other prohibited sites. We found that employees did not use these sites and that sufficient controls were in place to prevent access them. As to the other reports, there are numerous findings and recommendations regarding the financial, information technology, and management policies, procedures and practices at the EAC. It is the agency's responsibility to resolve these findings and implement corrective actions to bring their operations into compliance with Federal laws, regulations, and Office of Management and Budget circulars.

The following section assesses the recommendations from two of the more comprehensive reports that have been issued by the OIG, the Assessment of EAC Program and Financial Operations and the Audit of EAC's Fiscal Year 2008 Financial Statements, as well as the status of EAC's progress on implementing those recommendations.

FY 2008 FINANCIAL STATEMENT AUDIT

The FY 2008 Financial Statement Audit contained 11 findings and 25 recommendations to improve EAC's financial management processes and procedures. The chart below illustrates the status (as reported by EAC on March 27, 2009) of EAC's implementation of each of the 25 recommendations.

FINDING: Incomplete Performance and Accountability Report		
Recommendation	Progress	Date Completed
Establish policies, procedures and mechanisms to comply with the financial reporting requirements in OMB Circular A-136.	This recommendation encompasses other recommendations made in the auditor's internal control report. Specifically, recommendations 3,4,5,6,7,8,9,10,11,12 and 18 (which follow below). The latest milestone date for completion of those recommendations is September 30, 2009.	Not Complete



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Finalize a strategic plan, implement a performance based budget and formulate useful performance measures to tie to the budget for fiscal year 2009 financial statements reporting.	Ongoing effort through FY 2009. 2010 Congressional Justification is currently in review in a performance based format. Budgets will tie to information in the financial statement audit. Milestone date is for refining performance measurements & metrics. Milestone date: September 12, 2009.	Not Complete
FINDING: Insufficient Resources and Personnel with Appropriate Federal Accounting and Reporting Skill Sets		
Recommendation	Progress	Date Completed
Evaluate the resources and appropriate skills needed to meet the financial operations' responsibilities and implement the results of the evaluation and the recommendations.	CFO and Accounting Director have been hired and will reassess staffing needs as required and in connection with assessments by HR.	March 16, 2009
Ensure that appropriate training is provided to financial staff on federal accounting and reporting, and on the accounting service provider's financial system.	CFO Department will provide ongoing training to non-financial staff on issues such as completing travel vouchers. EAC staff is becoming more familiar with GSA accounting and reporting and can generate reports from the provider's financial system. GSA training is available, and a contractor has been retained to assist in the training process as necessary. Annual training plans will be developed based on professional continuing education requirements. Milestone date: September 30, 2009.	Not Complete



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Complete changes being made to EAC's organizational structure for financial management.	EAC Organization Realignment will remediate this as subject to adoption of the Strategic Plan. Milestone date: March 27, 2009	Not complete
Ensure that the memorandum of agreement (MOU) with the accounting service provider clearly describes each party's responsibilities and provides for timely assistance to meet EAC's financial information needs, such as a list of all the routine financial reports that it needs periodically.	CFO has been hired. MOUs have been signed for financial, IT and HR services. Roles and responsibilities are clear. Financial staff is onboard to ensure that the provider fulfills its distinct responsibilities. As needed, adjustments will be made to the MOU roles and responsibilities.	March 15, 2009
FINDING: Outstanding Accounting Issues		
Recommendation	Progress	Date Completed
In order to prepare reliable financial statements for Fiscal Year 2009, EAC must resolve above accounting issues as soon as possible. For complex issue such as the accounting for requirements payments, it may need to consult with authoritative bodies such as the OMB or the U.S. Treasury.	EAC will continue to work with OMB and the service provider on accounting related issues. The Accounting Director who starts 4/13/2009 along with the Grants Director who starts 3/30/09 will evaluate the requirements and determine if contractor assistance is necessary to address the issues. Milestone date: July 31, 2009	Not Complete
FINDING: Lack of an Integrated Financial Management System		
Recommendation	Progress	Date Completed
In conjunction with the recommendation no. 6 related to the service provider's memorandum of agreement, EAC should decide to either interface its standalone financial systems with the service provider's system or to utilize the	Based on evaluation by the CFO, the EAC requested direct access to service provider's financial system in order to utilize the service provider's subsystems. Additional steps to integrate the financial	Not Complete



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service provider's subsystems, if available.	management system will be discussed with the external service provider and developed into a plan which will be integrated into a revised MOU as necessary. Milestone date: June 30, 2010.	
FINDING: Ineffective Financial Statement Preparation		
Recommendation	Progress	Date Completed
Develop and implement policy and procedures for the financial reporting process and responsibilities including preparation of the financial statements. The procedures should include, among others, financial statements review process and submission/completion milestones. Internal milestones should be established and updated annually as part of the financial statement preparation process.	The framework will be incorporated into the EAC Administrative Manual and related handbooks - currently in draft and being reviewed and revised as necessary by EAC. Specific policies and/or procedures will be identified and formalized after the Accounting Director, CFO and Grants Director have had an opportunity to determine the necessary policy requirements. Milestone date: September 30, 2009	Not Complete
FINDING: Lack of Reconciliation and Analysis		
Recommendation	Progress	Date Completed
Prepare and analyze monthly reconciliations of subsidiary and summary accounts balances. Consider a "formal closing" of all accounts at an interim dates which will reduce the level of accounting activity and analysis required at year-end. This "formal interim closing" entails ensuring that all transactions are recorded in the proper period through the end of the month.	Nature, extent and timing of the reconciliation process are contingent upon the EAC's evaluation of the accounting system which will be completed by the Accounting Officer. A control list of periodic reconciliations will be performed and monitored by the CFO Department. Milestone date: June 30, 2009	Not Complete
Evaluate the most efficient way of obtaining financial data from the general ledger system of the service	Based on evaluation by the CFO, the EAC requested direct access to service provider's	Not Complete



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provider.	financial system in order to utilize the service provider's subsystems. Additional steps to integrate the financial management system will be discussed with the external service provider and developed into a plan which will be integrated into a revised MOU as necessary. Milestone date: June 30, 2010.	
Ensure that supervisory reviews are applied to the monthly reconciliations and its supporting documents are maintained and reviews documented.	Nature, extent and timing of the reconciliation process are contingent upon the EAC's evaluation of the accounting system which will be completed by the Accounting Officer. A control list of periodic reconciliations will be performed and monitored by the CFO Department. Milestone date: June 30, 2009	Not Complete
FINDING: Accounting Error		
Recommendation	Progress	Date Completed
Analyze all contracts and prepare correcting entries.	EAC will continue to work with OMB and the service provider on accounting related issues. The Accounting Director who starts 4/13/2009 along with the Grants Director who starts 3/30/09 will evaluate the requirements and determine if contractor assistance is necessary to address the issues. Milestone date: July 31, 2009	Not Complete
Ensure that the accounting entries for this type of transactions are recorded in accordance with United	EAC will continue to work with OMB and the service provider on accounting related	Not Complete



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States Standard General Ledger requirements.	issues. The Accounting Director who starts 4/13/2009 along with the Grants Director who starts 3/30/09 will evaluate the requirements and determine if contractor assistance is necessary to address the issues. Milestone date: July 31, 2009	
FINDING: Lack of Support for Grant Accounting		
Recommendation	Progress	Date Completed
Consult with OMB and/or U.S. Treasury on the appropriate accounting for the Section 251 requirements payments. Prepare a position paper to document the authoritative decisions to support the accounting treatment.	EAC will continue to work with OMB and the service provider on accounting related issues. The Accounting Director who starts 4/13/2009 along with the Grants Director who starts 3/30/09 will evaluate the requirements and determine if contractor assistance is necessary to address the issues. Milestone date: July 31, 2009	Not Complete
Develop procedures for the return of the Section 102 funds from the States. The procedures should include determining States that are required to return the funds, the amounts to be returned, and the process to obtain the funds. Also, ensure that the accounting for these funds is properly recorded and supported by adequate documentation.	EAC will continue to work with OMB and the service provider on accounting related issues. The Accounting Director who starts 4/13/2009 along with the Grants Director who starts 3/30/09 will evaluate the requirements and determine if contractor assistance is necessary to address the issues. Milestone date: July 31, 2009	Not Complete



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Develop policies and procedures for the funds identified by the Office of Inspector General audits.	Applicable sections Incorporated into the EAC Administrative Manual and related handbooks - currently in draft and being reviewed and revised as necessary by EAC. Milestone date: June 30, 2009	Not Complete
FINDING: Weak Funds Control		
Recommendation	Progress	Date Completed
Establish and implement policy and procedures for funds control.	Applicable sections Incorporated into the EAC Administrative Manual and related handbooks - currently in draft and being reviewed and revised as necessary by EAC. In addition, the Budget Director/CFO will work with the Accounting Director and the external service provider to fully develop funds control management policies and procedures. The EAC is moving toward achieving this goal by establishing separate organization (program/division) codes within the GSA Pegays financial system which will be used to track funds programmatically in the service provider system. Milestone date: July 31, 2009	Not Complete
Resolve the potential Anti-Deficiency Act and Purpose Statute violation issues as soon as possible. EAC may need to reconstruct the transactions in order to determine proper accounting and use of the funds.	A preliminary analysis has been performed and used to prepare a work statement for completing the necessary analysis. The contract will be awarded in April 2009 and the issue should be fully resolved by the milestone date.	Not Complete



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	Milestone date: August 31, 2009	
FINDING: Entity-Wide Security Program		
Recommendation	Progress	Date Completed
Develop and implement information system policies and procedures to meet compliance with OMB Circular A-130, NIST special Publication 800-18 and FISMA requirements and guidelines.	<p>The establishment of priorities is critical before the EAC can commit significant resources to remediation and implementation of recommendations. A contractor has been retained to assist the EAC with managing the audit related issues, and helping establish priorities by performing required analyses and assisting with cost estimates. The milestone date for completion of a Priority Plan is 4/30/09.</p> <p>It should be noted that a contractor was hired to assist with this recommendation as indicated in the initial response but was unable to complete the work. Due to a number of issues including timing and budget restraints along with the growing accumulation of IT related recommendations, it was determined that the recommended evaluation of priorities (as described above) should take place before issuing any further work statements.</p> <p>Milestone date: September 30, 2009</p>	Not Complete
Request and review a copy of the service provider systems review rotation plan, noting which EAC	The establishment of priorities is critical before the EAC can commit significant resources to	Not Complete



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<p>support systems are covered. For fiscal years where EAC systems are not covered, EAC should obtain access from service provider to review these systems to comply with FISMA Section 3544.</p>	<p>remediation and implementation of recommendations. A contractor has been retained to assist the EAC with managing the audit related issues, and helping establish priorities by performing required analyses and assisting with cost estimates. The milestone date for completion of a Priority Plan is 4/30/09.</p> <p>It should be noted that a contractor was hired to assist with this recommendation as indicated in the initial response but was unable to complete the work. Due to a number of issues including timing and budget restraints along with the growing accumulation of IT related recommendations, it was determined that the recommended evaluation of priorities (as described above) should take place before issuing any further work statements.</p> <p>EAC has obtained a reply from GSA on which systems are identified in FISMA and will evaluate the information.</p> <p>Milestone date: September 30, 2009</p>	
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Assign responsibility for the security management function to an individual with the oversight responsibility and authority over the security management structure. The individual should have the expertise and independence to enforce security policies.	<p>The responsibilities will be assigned to the CIO who has been identified in the adopted strategic plan.</p> <p>No milestone date identified.</p>	Not Complete
Continue with ongoing efforts and complete a certification and accreditation, risk assessment, security plan and system test and evaluation of EAC's general support systems.	<p>The establishment of priorities is critical before the EAC can commit significant resources to remediation and implementation of recommendations. A contractor has been retained to assist the EAC with managing the audit related issues, and helping establish priorities by performing required analyses and assisting with cost estimates. The milestone date for completion of a Priority Plan is 4/30/09.</p> <p>It should be noted that a contractor was hired to assist with this recommendation as indicated in the initial response but was unable to complete the work. Due to a number of issues including timing and budget restraints along with the growing accumulation of IT related recommendations, it was determined that the recommended evaluation of priorities (as described above) should take place before issuing any further work statements.</p> <p>Milestone date has been</p>	Not Complete



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	established as September 30, 2009. Any necessary work statement will be issued pending the completion of the Priority Plan.	
Obtain, review and follow up on identified security weaknesses within (1) the service provider's POA&M (2) the Statement of Auditing Standards (SAS) 70 review of the Heartland Finance Center; (3) the service provider's OIG 2008 FISMA report; and (4) any other security-related reviews it may have performed on EAC support systems.	EAC has obtained the POA&M from GSA and will review it as necessary. A contractor may be hired to assist with completing the recommendation pending the completion of the Priority Plan as described in control item no. 36. Milestone date: September 30, 2009.	Not Complete
FINDING: Contingency Plan		
Recommendation	Progress	Date Completed
Develop EAC's own COOP, DRP, and BIA which maps to applicable service provider's plans and consider implementing the recovery of non-service provider support systems, business processes, personnel and interfaces.	The establishment of priorities is critical before the EAC can commit significant resources to remediation and implementation of recommendations. A contractor has been retained to assist the EAC with managing the audit related issues, and helping establish priorities by performing required analyses and assisting with cost estimates. The milestone date for completion of a Priority Plan is 4/30/09. It should be noted that a contractor was hired to assist with this recommendation as indicated in the initial response but was unable to complete the work. Due to a number of issues including timing and	Not Complete



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	<p>budget restraints along with the growing accumulation of IT related recommendations, it was determined that the recommended evaluation of priorities (as described above) should take place before issuing any further work statements.</p> <p>Milestone date: September 30, 2009.</p>	
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ASSESSMENT OF EAC'S PROGRAM AND FINANCIAL OPERATIONS

The Assessment of EAC's Program and Financial Operations contained 29 recommendations to improve the EAC's program operations. In response to the 2008 Assessment of EAC's Program and Financial Operations, EAC developed a matrix of the recommendations contained in the report so as to track its status. The following chart tracks EAC's efforts to conform to the recommendations (as reported by EAC on March 29, 2009) made in the report using EAC's reports to the Office of Inspector General and this Subcommittee to explain the agency's progress. To date, EAC has completed implementation of 9 of the 29 recommendations.

RECOMMENDATION	PROGRESS	DATE COMPLETED
1. Develop, document and communicate short and long-term strategic plans, performance measurements and goals.	Adoption of Strategic Plan pending Completion of Annual Performance plan pending.	Not Complete
2a. Re-evaluate the current organizational structure and clearly define areas of authority and responsibility, and hierarchy for reporting.	The formal document "Roles and Responsibilities of the Commissioners and Executive Director of the U.S. Election Assistance Commission" was finalized in September 2008. Structure and responsibilities are evaluated on an ongoing basis. Changes are incorporated into a revised organizational chart as necessary.	September 19, 2008



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RECOMMENDATION	PROGRESS	DATE COMPLETED
2b. Perform a risk assessment to indentify internal and external risks and implement appropriate and effective internal control to mitigate or eliminate high risks.	EAC is in the process of drafting a statement of work for the OMB-123 work. Work statement will be completed by 6/30/09, milestone date relates to completion of risk assessment. Milestone date: September 30, 2009.	Not Complete
3. Document its governance and accountability structures and practices in place in formal policies and procedures.	Applicable sections incorporated into the EAC Administrative Manual and related handbooks - currently in draft and being reviewed and revised as necessary by EAC. Milestone date: June 30, 2009.	Not Complete
4. Define areas of authority and responsibility, and hierarchy for reporting to avoid confusion and misunderstanding (including the roles of the Commissioners and the Executive Director).	The formal document "Roles and Responsibilities of the Commissioners and Executive Director of the U.S. Election Assistance Commission" was finalized in September 2008. Structure and responsibilities are evaluated on an ongoing basis. Changes are incorporated into a revised organizational chart as necessary.	September 19, 2008
5. Conduct skills inventory assessment for all EAC program offices.	OPM & HR have completed the assessments. Ongoing assessments will be conducted in the future as required.	September 21, 2008
6a. Develop and implement policies and procedures for modifying the Voluntary Voting System Guidelines that will be followed by responsible staff. Moreover, policy related to conflict of interest and ethics should be developed.	Applicable sections incorporated into the EAC Administrative Manual and related handbooks - currently in draft and being reviewed and revised as necessary by EAC. Milestone date: June 30, 2009.	Not Complete



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RECOMMENDATION	PROGRESS	DATE COMPLETED
6b. Ensure the Laboratory Accreditation Program Manual under development is completed by the end of fiscal year 2007.	Manual has been finalized.	August 31, 2008
7a. Develop a communication strategic plan and goals, and establish written procedures to ensure authorized and consistent implementation of its communication.	Applicable sections incorporated into the EAC Administrative Manual and related handbooks - currently in draft and being reviewed and revised as necessary by EAC. Milestone date: June 30, 2009.	Not Complete
7b. EAC should also have policies and procedures such as implementation of the Freedom of Information Act, the Privacy Act Regulations, and Records Management.	Applicable sections incorporated into the EAC Administrative Manual and related handbooks - currently in draft and being reviewed and revised as necessary by EAC. Milestone date: June 30, 2009.	Not Complete
8. Develop written policies and procedures to minimize the impact of human capital loss, if any, to its operations of the Communications Division.	Applicable sections incorporated into the EAC Administrative Manual and related handbooks - currently in draft and being reviewed and revised as necessary by EAC. Milestone date: June 30, 2009.	Not Complete
9. Establish policies and procedures related to research process and the clearinghouse function. This will include developing a formal peer review process for the research methodology and results; and policies	The Research Department is working on policies and procedures with General Counsel. Milestone date: June 30, 2010.	Not Complete



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RECOMMENDATION	PROGRESS	DATE COMPLETED
and procedures related to the research process from initiation through reporting.		
10. Establish a process to ensure that mandated studies are prioritized considering the limited resources that it has.	A process for prioritizing mandated studies has been established by the Research Subcommittee of the Board of Advisors.	May 31, 2008
11. Re-evaluate the current organizational structure and clearly define areas of authority and responsibility, and hierarchy for reporting for the Administrative Division.	<p>The formal document "Roles and Responsibilities of the Commissioners and Executive Director of the U.S. Election Assistance Commission" was finalized in September 2008. Structure and responsibilities are evaluated on an ongoing basis. Changes are incorporated into a revised organizational chart as necessary.</p> <p>Applicable sections incorporated into the EAC Administrative Manual and related handbooks - currently in draft and being reviewed and revised as necessary by EAC. Milestone date: June 30, 2009.</p>	Not Complete
12. Resolve with GSA the unobligated balance of requirements payments of \$9,072,894 (Fund 803-Appropriation No. 95X1651).	Item is completed.	February 25, 2008
13. Review and perform a periodic reconciliation of EAC financial activities with GSA's accounting records.	Hiring of CFO and Accounting Director plus reorganization completes the necessary staffing. Accounting Director starts 4/13/2009. Procedures for reconciliation will be implemented with input of new team. Additionally, EAC has hired a contractor to assist with critical reconciliation of financial statements. Milestone date: September 30, 2009.	Not Complete



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RECOMMENDATION	PROGRESS	DATE COMPLETED
14. Implement or strengthen EAC fund control reviews to ensure that funds are used timely and appropriately. (Funds control review should be performed monthly to ensure that funds obligated or de-obligated as needed.)	Recently hired Budget Director/CFO is initiating periodic funds control reviews and examining both input documents and reports generated from the budget/accounting system. Significant progress has been made in setting up divisional/programmatic budgets in the central accounting/funds control system (maintained by GSA) to integrate fund control management and review. Milestone date: September 30, 2009	Not Complete
15. Establish written policies and procedures for the Administrative Division to ensure that operations are implemented consistently eliminate or reduce confusion, and mitigate the risk of disruptions to its operations in case of a personnel change or termination.	Applicable sections incorporated into the EAC Administrative Manual and related handbooks - currently in draft and being reviewed and revised as necessary by EAC. Milestone date: June 30, 2009.	Not Complete
16. Develop a list of financial laws and regulations that are applicable to the Commission. Some of the laws and regulations to consider are the FMFIA, GPRA, FFMIA, OMB Circular A-136, A-123, A-130, A-127.	EAC has obtained a draft report from GAO in which the appropriate laws and regulations are identified. Report GAO-09-270 is entitled "Designated Federal Entities: Survey of Governance Practices and the Inspector General Role".	March 23, 2009



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RECOMMENDATION	PROGRESS	DATE COMPLETED
17. Identify appropriate knowledge and skills needed for various jobs in the Administrative Division and provide needed training. In doing so, consider hiring staff who will be responsible for the recording, summarization, and reporting of accounting activities in accordance with Federal Government GAAP. Moreover, we believe EAC should conduct skills inventory assessment for all of its program offices.	OPM & HR have completed the assessments. Ongoing assessments will be conducted in the future as required. This was completed on September 21, 2008. Hiring of CFO and Accounting Director plus reorganization completes the necessary staffing. Accounting Director starts 4/13/2009. Procedures for reconciliation will be implemented with input of new team. Additionally, EAC has hired a contractor to assist with critical reconciliation of financial statements. Milestone date: September 30, 2009.	Not Complete
18. Consider hiring staff with federal budgeting experience or provide training to appropriate staff in the Office of Finance, [Budget], and Administration to carry out this function.	A Budget Director/CFO with considerable federal experience has been hired to carry out the required responsibilities. In addition an Accounting Director has been hired to address the finance functions.	February 15, 2009
19. Establish a systematic and formal process for establishing and approving policies and procedures for EAC payment and grant programs. These policies and procedures should also be centrally maintained and readily available for use by EAC staff.	Applicable sections incorporated into the EAC Administrative Manual and related handbooks - currently in draft and being reviewed and revised as necessary by EAC. Milestone date: June 30, 2009.	Not Complete



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RECOMMENDATION	PROGRESS	DATE COMPLETED
20. Provide written guidance, in addition to the examples posted in its website, for the preparation of annual financial and narrative reports on the use of HAVA payments.	Applicable sections incorporated into the EAC Administrative Manual and related handbooks - currently in draft and being reviewed and revised as necessary by EAC. Milestone date: June 30, 2009.	Not Complete
21. Develop a systematic process for conducting some form of financial management oversight to provide some assurance that costs incurred are reasonable, allowable, and valid based on the purpose of the funding provided under HAVA Sections 101, 102 and 251.	Applicable sections incorporated into the EAC Administrative Manual and related handbooks - currently in draft and being reviewed and revised as necessary by EAC. Milestone date: June 30, 2009.	Not Complete
22. Implement policy and procedures to recover unobligated Section 102 funds by the revised deadline for State use of funds.	Applicable sections incorporated into the EAC Administrative Manual and related handbooks - currently in draft and being reviewed and revised as necessary by EAC. Milestone date: June 30, 2009.	Not Complete
23. Develop policies and procedures to implement audit follow-up as required in OMB A-133.	Applicable sections incorporated into the EAC Administrative Manual and related handbooks - currently in draft and being reviewed and revised as necessary by EAC. Milestone date: June 30, 2009.	Not Complete
24. Perform a risk-based assessment to evaluate the sufficiency of personnel in the Programs and Services Division to ensure that the Division's day to	OPM & HR have completed the assessments. Ongoing assessments will be conducted in the future as required.	September 21, 2008



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RECOMMENDATION	PROGRESS	DATE COMPLETED
day operations and oversight do not suffer due to limited resources.		
25. Establish policies and procedures on responding, documenting, communicating, and retaining answers to questions raised by the States in the administration of the HAVA payment and grants.	Applicable sections incorporated into the EAC Administrative Manual and related handbooks - currently in draft and being reviewed and revised as necessary by EAC. Milestone date: June 30, 2009.	Not Complete
26. Establish policies and procedures to comply with the National Voter Registration Act.	The FEC Commissioners have not yet voted to transfer the NVRA regulations. No milestone date was identified.	Not Complete

Progress has been made by the EAC primarily in the areas of personnel reorganization and hiring persons to staff the Administration Division that have experience with federal Government procurement and financial management. While hiring qualified administrative staff goes a long way toward improving EAC's financial management function, the EAC should use caution to avoid staffing one program or function to the detriment of its other programs. By our current count, EAC has 21 positions dedicated to executive direction and administration and 14 persons to serve its programs (testing & certification, grants, and research), legal and communications needs.³

Based upon its own reports, EAC only last week adopted its strategic plan and has not yet adopted policies and procedures needed to underlie the operation of many of its programs. The notable exception to this is the Testing and Certification Program, which now has in place manuals for testing and certification as well as laboratory accreditation. In FY 2009, EAC will again be subject to an audit of its financial statements. Without these needed policies, EAC may have difficulty in meeting the benchmarks necessary to receive an unqualified opinion (clean audit).

³ These numbers do not include the three persons employed by the Office of Inspector General.



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In FY 2009, OIG will also be conducting audits and assessments of EAC in addition to its audit of EAC's FY 2009 financial statements. These engagements will include reviewing EAC's compliance with the Federal Information Security Management Act, evaluating EAC's purchase of shirts and jackets for its employees, and assessing EAC's internal controls over time and attendance.

In addition to its audits and assessments, OIG has conducted one investigation of an EAC research effort. OIG contracted with another government agency to provide the investigative services for the activity. The final report was issued in March 2008. A copy of the investigative report, [Report of Investigation: Preparation of the Voter Fraud and Voter Intimidation Report](#), is available on the OIG webpage.

CONCLUSION

The EAC plays a critical role in funding and assisting states to improve election processes. As such, EAC's operations are under scrutiny as are the state programs for conducting elections. It is the Office of Inspector General's role to offer guidance and information through its audits, evaluations, reviews and investigations that will help EAC build and run programs that instill public confidence by preventing waste, fraud and abuse. The Office of Inspector General will continue to work with the EAC and this Subcommittee to help promote efficient and effective government.

The Office of Inspector General appreciates the opportunity to provide this testimony regarding its activities. If you have any questions, I will be happy to address them.