

OFFICE OF INSPECTOR GENERAL

U.S. Election Assistance Commission

MANAGEMENT LETTER REPORT

AUDIT OF THE U.S. ELECTION ASSISTANCE COMMISSION'S FINANCIAL STATEMENTS FOR FISCAL YEAR 2023

Report No. F23HQ0044-24-03
November 13, 2023





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

DATE: November 13, 2023

TO: U.S. Election Assistance Commission, Executive Director, Steven Frid

FROM: U.S. Election Assistance Commission, Inspector General, Brianna Schletz

SUBJECT: Management Letter Report Related to the Audit of the U.S. Election Assistance Commission's Financial Statements for Fiscal Year 2023 (Report No. F23HQ0044-24-03)

This memorandum transmits the management letter report related to the Audit of the U.S. Election Assistance Commission's Financial Statements for Fiscal Year 2023.

We contracted with the independent public accounting firm of Allmond and Company, LLC (Allmond & Company) to audit the financial statements of U.S. Election Assistance Commission (EAC) as of and for the fiscal year ended September 30, 2023, to provide a report on internal control over financial reporting, report on compliance with laws and other matters, and provide a report on whether EAC's financial management systems complied with selected provisions of applicable laws, regulations, contracts, and grant agreements. The contract required that the audit be performed in accordance with U.S. generally accepted government auditing standards, Office of Management and Budget audit guidance, and the *GAO/CIGIE Financial Audit Manual*.

As part of its audit, Allmond & Company issued the attached management letter report dated November 10, 2023. The purpose is to convey to you information concerning control weaknesses that did not rise to the level of a significant deficiency or material weakness.

In connection with the contract, we reviewed Allmond & Company's management letter report and related documentation and inquired of its representatives. Allmond & Company is responsible for the letter and the conclusions expressed in the letter. However, our review disclosed no instances where Allmond & Company did not comply, in all material respects, with U.S. generally accepted government auditing standards with respect to this management letter.

The letter contains seven recommendations. Please keep us informed of the actions taken to address them, as we will track the status of their implementation.

cc: Commissioner Christy McCormick, Chair
Commissioner Benjamin W. Hovland, Vice Chair
Commissioner Donald L. Palmer
Commissioner Thomas Hicks

**U.S. ELECTION ASSISTANCE COMMISSION
MANAGEMENT LETTER REPORT
SEPTEMBER 30, 2023**



**ALLMOND & COMPANY, LLC
Certified Public Accountants
7501 Forbes Blvd., Suite 200
Lanham, Maryland 20706
(301) 918-8200**



ALLMOND & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

7501 FORBES BOULEVARD, SUITE 200
LANHAM, MARYLAND 20706

(301) 918-8200
FACSIMILE (301) 918-8201

MANAGEMENT LETTER REPORT

Christy McCormick, Chairwoman
Paul Repak, Director of Finance

Inspector General Election Assistance Commission:

We audited the Election Assistance Commission (EAC) financial statements as of September 30, 2023, for the year then ended and issued our report dated November 10, 2023, under separate cover.

In planning and performing our audit, we considered EAC's internal control relevant to the financial statement audit 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 EAC's internal control over financial reporting. Though not considered to be a material weakness or significant deficiency, we noted two additional matters involving internal control that are presented in this letter for EAC's management's attention and consideration.

The purpose of this report is solely for the information and use of EAC management. We appreciate your assistance and cooperation during the audit and look forward to serving you in the near future.

Sincerely,

Allmond & Company, LLC

Lanham, MD
November 10, 2023

Allmond & Company audited the accompanying balance sheet of the Election Assistance Commission (EAC) as of September 30, 2023, and the related statements of net cost, statements of changes in net position, and statements of budgetary resources for the years then ended (the financial statements). We noted two additional matters involving the internal control and EAC operations that we think warrant management's attention; however, these issues were not considered significant deficiencies or a material weaknesses.

Under standards issued by the American Institute of Certified Public Accountants, 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, 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 the attention by those charged with governance. There were no material weaknesses noted during our audit of EAC's FY 2023 financial statements. However, we noted one significant deficiency described in Exhibit I, *Findings and Recommendations*, to the Auditor's Report.

We noted the following control deficiencies during our audit:

1. Improvements Needed in Maintaining Official Personnel Files (OPFs)
2. Improvements Needed in Maintaining Documentation

The conditions are discussed in detail in the findings outlined below:

FINDING 1: Improvements Needed in Maintaining Official Personnel Files (OPFs)

CONDITION

The Election Assistance Commission (EAC) entered into a service level agreement with the U.S. General Services Administration (GSA) to provide Human Resources services for the agency. Under the service level agreement between the parties, EAC is required to submit signed, completed Personnel Action Requests and ensure that the SF-52's are accurate and contain all required information, signatures, and supporting documentation for processing. GSA is required to enter and process personnel actions into the HR Links system, review standard form (SF)-52s "Request for Personnel Action" using Office of Personnel Management (OPM) guidance, and establish and maintain electronic official personnel files (eOPF) in compliance with OPM regulations.

Although EAC receives services from their service provider, EAC is responsible for ensuring that their personnel files are maintained in accordance with the OPM requirements. During our testing we noted that EAC and GSA did not properly maintain documentation to support payroll withholdings and expenses recorded in the financial system. Specifically, we noted the following:

1. 16 of 37 employees tested did not have the appropriate Notification of Personnel Action (SF-50) to support the salary stated on the employee's Request for Personnel Action (SF-52) and Leave and Earnings Statement (LES) for the pay period selected.

2. 1 of 37 employees tested did not have a Thrift Savings Plan (TSP-1) form in their OPF to support the correct TSP-1 election made by the employee and deducted on their Earnings and Leave Statement for the pay period selected.
3. For 1 of 37 employees' Request for Personnel Action (SF-52) tested, EAC was unable to provide the related Notification of Personnel Action (SF-50).
4. For 37 of 37 employees tested, no action codes were documented on the employees' Request for Personnel Action (SF-52) forms.
5. For 1 of 37 employees tested, EAC was unable to provide the Request for Personnel Action (SF-52) form.

CRITERIA

U.S. Government Accountability Office GAO-14-704G *Standards for Internal Control in the Federal Government* (or "Green Book"), September 2014 revision, *Section 10.3 Appropriate documentation of transactions and internal control* states that "Management clearly documents internal control and all transactions and other significant events in a manner that allows the documentation to be readily available for examination".

In addition, *Documentation Requirements*, Section OV4.08 of the Greenbook states that "Documentation is required for the effective design, implementation, and operating effectiveness of an entity's internal control system".

Furthermore, *Service Organizations*, Section OV4.01 of the Greenbook states that "Management may engage external parties to perform certain operational processes for the entity, such as accounting and payroll processing, security services, or health care claims processing. For the purpose of the Greenbook, these external parties are referred to as service organizations. Management, however, retains responsibility for the performance of processes assigned to service organizations".

Additionally, Section 10.03 Design of Appropriate Types of Control Activities "*Controls over information processing*" states that "A variety of control activities are used in information processing. Examples include edit checks of data entered; accounting for transactions in numerical sequences; comparing file totals with control accounts..."

U.S. Office of Personnel Management Operating Manual *Chapter 1: General Personnel Recordkeeping Policies* Electronic Records states, "The electronic Official Personnel Folder must be complete; that is, when combined with any other documents the agency chooses to retain in paper or is required by law or regulation to be maintained in paper, it must contain all the information.

OPM requires that each agency ensures that electronic Official Personnel Folder systems:

- Be thoroughly documented.
- Be able to produce legible paper copies of all records.
- Have access controls to ensure a high level of security and confidentiality.
- Allow correction and removal of erroneous records under strict authorization controls.
- Include backup and disaster recovery procedures.

- Provide for regular recopying, reformatting, and other maintenance necessary to ensure that the records will be retained and useable throughout its life cycle.
- Identify information in a way that authorized users can retrieve and maintain the required records.”

Chapter 3: General Instructions for Processing Personnel Actions Subchapter 1. General Instructions 1-4. Approval of Personnel Actions states, “most personnel actions must be approved by the appointing officer on or before their effective dates. An appointing officer is an individual in whom the power of appointment is vested by law or to whom it has been legally delegated. Only an appointing officer may sign and date the certification in Part C-2 of the Standard Form 52 or blocks 50 and 49 of the Standard Form 50 to approve an action”.

Section 3-4 Electronic Signatures states, “A personnel action is the official record of employment and authorization of pay to the employee. The action must be approved on or before its effective date; the approval may be documented by a “signature” in either Part C-2 of the Standard Form 52 or in block 50 of the Standard Form 50. Because effective dates and approvals of personnel actions must be able to withstand administrative and legal challenge, any electronic approval signature system used in Part C-2 of the Standard Form 52 or in block 50 of the Standard Form 50 must be approved by the Office of Personnel Management.”

Chapter 4: Requesting and Documenting Personnel Actions 2.a. (3) Standard Form 52, Request for Personnel Action: How the form is used states, “The personnel office uses the form to record staffing, classification, and other personnel determinations, and then uses the information on the form to prepare the Notification of Personnel Action”.

Section 4-20 Job Aid: Instructions for Completing the Standard Form 50 and for Completing Part B (blocks 1- 39) and Parts C, E, and F of the Standard Form 52, continued states “5-A and 5-B Complete on all actions.”

CAUSE

EAC does not have adequate controls in place to ensure that Official Personnel Files are appropriately maintained.

EFFECT

EAC’s failure to properly record and maintain official personnel records increases the risk for misstatement in payroll expense and related liabilities. Additionally, it increases the risk of incorrect amounts being withheld from employee’s pay.

RECOMMENDATION

We recommend that EAC, in combination with its service organization:

- Perform thorough routine reviews of Official Personnel Files to ensure the following:
 - All relevant employee benefit election forms are appropriately documented and retained.
 - The information processed on the Notification of Personnel Action (SF-50) agrees to the originating Request for Personnel Action (SF-52) form.

- The Notification of Personnel Action (SF-50) is appropriately authorized, evidenced by an electronic signature in Box 50.
- The appropriate Request for Personal Action (SF-52) and Notification of Personnel Action (SF-50) forms are complete.
- The appropriate Request for Personal Action (SF-52) and Notification of Personnel Action (SF-50) forms are retained.
- Overall Official Personnel Files are complete and accurate.

MANAGEMENT'S RESPONSE:

Management concurs with the condition and will consider the recommendation provided when determining if a corrective action plan should be developed once the audit concludes.

AUDITOR'S RESPONSE:

We will conduct follow-up procedures in FY 2024 to determine whether corrective actions have been developed and implemented.

FINDING 2: Improvements Needed in Maintaining Documentation

CONDITION:

Improvements are needed in the Election Assistance Commission’s (EAC) procedures for maintaining documentation. EAC was unable to provide supporting documentation for several transactions and events recorded in the financial records, in a timely manner. See the table below for respective receipt dates of requested documentation:

Sample Description	Audit Period	Due Date	Receipt Date*
Payroll (Including Personnel Actions)	06/30/2023	08/02/2023	10/04/23
Non- Payroll Disbursements	06/30/2023	08/02/2023	09/13/23
Prompt Pay	06/30/2023	08/02/2023	09/26/23
New Obligations	06/30/2023	08/02/2023	09/13/23
Payroll (Including Personnel Actions)	09/30/2023	10/20/2023	10/30/2023
Non- Payroll Disbursements	09/30/2023	10/20/2023	10/31/2023
Prompt Pay	09/30/2023	10/20/2023	10/30/2023
New Obligations	09/30/2023	10/20/2023	10/31/2023
Accounts Payable	09/30/2023	10/20/2023	10/27/2023
Accounts Payable Accrual	09/30/2023	10/30/2023	11/7/2023
Undelivered Orders	09/30/2023	10/20/2023	11/7/2023
Property Plant and Equipment Samples	09/30/2023	10/20/2023	10/30/2023

**Please note that this date is reflective of the date all relevant support was received.*

CRITERIA:

U.S. Government Accountability Office GAO-14-704G, *Standards for Internal Control in the Federal Government* (or “Green Book”), September 2014 revision, *Section 10.3 Appropriate Documentation of Transactions and Internal Control* states that “Management clearly documents internal control and all transactions and other significant events in a manner that allows the documentation to be readily available for examination. The documentation may appear in management directives, administrative policies, or operating manuals, in either paper or electronic form. Documentation and records are properly managed and maintained.”

In addition, *Documentation Requirements*, Section OV4.08 of the Greenbook states that “Documentation is required for the effective design, implementation, and operating effectiveness of an entity’s internal control system”.

Furthermore, *Section 10.3 Segregation of Duties* states “Management divides or segregates key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. This includes separating the responsibilities for authorizing transactions, processing and recording them, reviewing the

transactions, and handling any related assets so that no one individual controls all key aspects of a transaction or event”.

CAUSE:

EAC does not have documented policies and procedures that outline the responsibilities of EAC personnel and the responsibilities of their service providers.

EAC’s documentation is not readily available to personnel for retrieval and examination.

EFFECT:

Without appropriate maintenance of records, EAC is at risk of not being able to appropriately support balances documented in internal and external reports.

RECOMMENDATION:

We recommend that EAC management:

- Utilize an internal shared folder to store documentation so that it is readily available for authorized EAC personnel to access.
- Implement appropriate segregation of duties so that no one individual or team controls custody of documentation to support transactions.
- Perform periodic reviews of records to ensure that all relevant documentation is appropriately stored and accessible.
- Provide BFS with all necessary documentation to support transactions recorded in the financial system. Ensure that copies are maintained by BFS in addition to EAC.
- Review and maintain documentation processed and stored by GSA, to ensure that EAC can access relevant information when necessary.
- Document policies and procedures for the maintenance and retrieval of documentation, including the responsibilities of EAC personnel and the responsibilities of EAC’s service providers.

MANAGEMENT’S RESPONSE:

Management concurs with the condition and will consider the recommendation provided when determining if a corrective action plan should be developed once the audit concludes.

AUDITOR’S RESPONSE:

We will conduct follow-up procedures in FY 2024 to determine whether corrective actions have been developed and implemented.



Visit our website at oig.eac.gov

U.S. Election Assistance Commission
Office of Inspector General
633 3rd Street, NW, Second Floor
Washington, DC 20001

Report Waste, Fraud, and Abuse
eacoig@eac.gov | [Online Complaint Form](#)