

March 2, 2011

Testimony of Curtis W. Crider, Inspector General, before the U.S. House Appropriations Committee, Subcommittee on Financial Services and General Government



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



Chairwoman Emerson, Ranking Member Serrano, 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 into the economy and efficiency of the programs and operations of 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 the 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 Assistant Inspector General for Audits, and Counsel to the Inspector General. We also contract with two independent accounting firms for audit support and use the investigative services of other Federal agencies, when necessary.

The OIG's mission is 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 helps to identify waste, fraud, abuse and mismanagement in EAC programs and operations by conducting investigations of complaints against the EAC, its grant recipients, or third parties involved in EAC programs.

## GRANT AUDITS

The EAC administers several formula and discretionary grant programs. The EAC has distributed \$3.2 billion in funding under the formula grants established in titles I and II of the HAVA. In FYs 2003, 2004, 2007, 2008 and 2009, the Congress appropriated funding to these programs totaling \$3.3 billion. Approximately \$56 million is left to be distributed. In addition to these grants, the EAC has distributed \$14.9 million in discretionary grants under the following grant programs: Help America Vote College program, Parent Student Mock Election program, Election Data Collection grant program, and Military Heroes Initiative. Last, the EAC has \$11 million in funding yet to be distributed under two discretionary grant programs: the Pre-election Logic and Accuracy Testing and Post-election Audit Initiative and Accessible Voting Technology Initiative.<sup>1</sup>

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<sup>1</sup> HR 1 would rescind \$5 million from the funding available for these programs.



Over the past five years, the OIG has focused on auditing the large sums of money distributed to and spent by the states to improve the election infrastructure and procedure. These grants were available for limited uses. The uses of these funds include:

HAVA Section	Approved Uses
101	Comply with title III of HAVA; improve the administration of elections for Federal office; Voter education regarding voting procedures, voting rights, and voting technology; training election officials, poll workers, and election volunteers; develop the state plan required in title II of HAVA; improving, acquiring, leasing, modifying or replacing voting systems; improving accessibility of polling places; and establishing a hotline for voters to use to report voting fraud and voting rights violations, obtaining election information and information about the voter’s status, polling place location and other relevant information.
102	Replace punch card and lever voting systems that were in use during the November 2000 election
251	Purchase or lease voting equipment that meet standards established in Section 301 of HAVA; implement a program of provisional voting; provide specified information to voters at the polling place; develop and implement a single, statewide list of registered voters; and identify first-time voters in keeping with the requirements of HAVA.

Section 102 funds were available for a limited period of time.<sup>2</sup> At the end of the period of availability, states must return any unspent funds or funds associated with precincts that still use punch card or lever voting systems. Section 251 funds required states to submit a state plan and to appropriate matching funds equal to five percent of the combined state and Federal shares. All funds must be deposited into an interest bearing account (“election fund”) wherein earned interest could be used for the types of activities allowed under Section 251.

We audit the HAVA funds expended by the states. Our audits examine whether the funds were spent for approved purposes, whether expenses were made in keeping with HAVA and Federal guidelines for the use of grant funds, whether expenses were properly documented, whether the state met its matching requirement, and whether state and Federal funds were timely deposited into the election fund. We have completed audits of 28 states. These audits covered \$1.3 billion and resulted in \$31.3 million in questioned costs or additional program costs. Some common audit findings were:

<sup>2</sup> The deadline was originally the November 2004 election. However, states were permitted to request a waiver until January 1, 2006. This deadline was subsequently extended. The most recent change made the deadline November 2010.



- Failure to maintain adequate time records for persons whose wages/salaries are paid from grant funds;
- Failure to maintain property control/inventory records for equipment purchased with Federal funds;
- Failure to appropriate sufficient matching funds;
- Failure to timely deposit matching funds or interest earned on HAVA funds; and
- Errors in reports filed with the EAC.

There have been state and/or Federal investigations in three states regarding the use of HAVA funds. In one instance, former state officials and contractors have been indicted on charges of money laundering, kickbacks and tax evasion.

We have ten state audits in progress.<sup>3</sup> Those audits cover \$800 million in HAVA expenses. Final reports on these audits will be available by the end of the current fiscal year. Approximately \$1.3 billion of the \$3.2 billion distributed by the EAC under the HAVA grant programs is yet to be audited.

Below is a chart detailing the HAVA funds that have been subject to audit by the OIG. The chart aggregates the amounts received and audited under the three HAVA grant programs. The amount audited also includes interest earned on HAVA funds as of the date of the respective audit.

State	HAVA Funds Received	Required State Match on HAVA Funds Received	Total HAVA Funds Available Excluding Interest	Total HAVA Funds Audited	Unaudited HAVA Fund Balance
Alabama	\$40,907,194	\$1,887,711	\$42,794,905	\$30,330,539	\$12,464,366
Alaska	\$18,021,803	\$685,358	\$18,707,161	\$0	\$18,707,161
American Samoa	\$3,319,361	\$0	\$3,319,361	\$0	\$3,319,361
Arizona	\$52,532,244	\$2,395,615	\$54,927,859	\$0	\$54,927,859
Arkansas	\$30,396,569	\$1,275,456	\$31,672,025	\$28,205,912	\$3,466,113
California	\$380,356,043	\$15,562,763	\$395,918,806	\$213,941,386	\$181,977,420
Colorado	\$45,784,267	\$2,039,309	\$47,823,576	\$0	\$47,823,576

<sup>3</sup> These audits cover some states that have previously been audited. The OIG selected these states for re-audit due to the large amount of money that had been spent since the states' prior audits.



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State	HAVA Funds Received	Required State Match on HAVA Funds Received	Total HAVA Funds Available Excluding Interest	Total HAVA Funds Audited	Unaudited HAVA Fund Balance
Connecticut	\$34,081,608	\$1,530,611	\$35,612,219	\$34,168,003	\$1,444,216
Delaware	\$16,596,803	\$610,358	\$17,207,161	\$0	\$17,207,161
District of Columbia	\$16,596,803	\$610,358	\$17,207,161	\$0	\$17,207,161
Florida	\$170,641,293	\$7,611,176	\$178,252,469	\$110,187,888	\$68,064,581
Georgia	\$83,231,168	\$3,719,705	\$86,950,873	\$63,562,054	\$23,388,819
Guam	\$3,319,361	\$0	\$3,319,361	\$0	\$3,319,361
Hawaii*	\$16,596,803	\$610,358	\$17,207,161	\$11,331,064	\$5,876,097
Idaho^	\$18,021,803	\$685,358	\$18,707,161	\$0	\$18,707,161
Illinois†	\$155,480,687	\$5,818,213	\$161,298,900	\$148,093,384	\$13,205,516
Indiana	\$70,193,158	\$2,865,278	\$73,058,436	\$61,430,159	\$11,628,277
Iowa	\$31,633,492	\$1,401,763	\$33,035,255	\$28,834,907	\$4,200,348
Kansas	\$29,022,045	\$1,264,318	\$30,286,363	\$24,666,652	\$5,619,711
Kentucky	\$42,070,094	\$1,942,192	\$44,012,286	\$20,349,296	\$23,662,990
Louisiana	\$49,051,620	\$1,936,238	\$50,987,858	\$50,673,813	\$314,045
Maine	\$16,596,803	\$610,358	\$17,207,161	\$0	\$17,207,161
Maryland	\$53,646,392	\$2,440,634	\$56,087,026	\$27,683,205	\$28,403,821
Massachusetts	\$65,115,060	\$3,000,273	\$68,115,333	\$0	\$68,115,333
Michigan	\$104,274,292	\$4,659,773	\$108,934,065	\$69,309,457	\$39,624,608
Minnesota	\$49,254,670	\$2,312,678	\$51,567,348	\$42,303,899	\$9,263,449
Mississippi	\$30,603,916	\$1,323,814	\$31,927,730	\$0	\$31,927,730
Missouri	\$62,262,661	\$2,363,929	\$64,626,590	\$52,632,344	\$11,994,246
Montana	\$18,021,803	\$685,358	\$18,707,161	\$15,380,563	\$3,326,598
Nebraska	\$20,021,034	\$790,581	\$20,811,615	\$0	\$20,811,615
Nevada^	\$23,144,727	\$954,986	\$24,099,713	\$19,631,090	\$4,468,623
New Hampshire	\$16,596,803	\$610,358	\$17,207,161	\$0	\$17,207,161
New Jersey†	\$84,904,403	\$3,582,505	\$88,486,908	\$45,136,106	\$43,350,802
New Mexico	\$20,599,671	\$821,035	\$21,420,706	\$14,123,471	\$7,297,235
New York	\$238,095,934	\$9,052,510	\$247,148,444	\$140,722,926	\$106,425,518
North Carolina	\$82,203,337	\$3,864,304	\$86,067,641	\$59,042,030	\$27,025,611

*This information is property of the U.S. Election Assistance Commission Office of Inspector General  
 1225 New York Avenue, NW, Suite 1100, Washington, DC 20005  
 (202) 566-3125 (p), (202) 566-0957 (f), [www.eac.gov](http://www.eac.gov)*



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State	HAVA Funds Received	Required State Match on HAVA Funds Received	Total HAVA Funds Available Excluding Interest	Total HAVA Funds Audited	Unaudited HAVA Fund Balance
North Dakota	\$18,021,803	\$685,358	\$18,707,161	\$0	\$18,707,161
Ohio	\$143,076,059	\$5,369,656	\$148,445,715	\$114,741,683	\$33,704,032
Oklahoma	\$35,200,723	\$1,589,512	\$36,790,235	\$0	\$36,790,235
Oregon	\$36,421,250	\$1,599,722	\$38,020,972	\$19,937,966	\$18,083,006
Pennsylvania†	\$147,009,727	\$5,935,242	\$152,944,969	\$159,099,053	\$0
Puerto Rico	\$9,004,545	\$308,074	\$9,312,619	\$0	\$9,312,619
Rhode Island	\$18,021,803	\$685,358	\$18,707,161	\$17,078,956	\$1,628,205
South Carolina	\$43,185,727	\$1,913,989	\$45,099,716	\$35,165,678	\$9,934,038
South Dakota	\$18,021,803	\$685,358	\$18,707,161	\$0	\$18,707,161
Tennessee	\$54,714,608	\$2,433,481	\$57,148,089	\$27,601,101	\$29,546,988
Texas†	\$203,631,823	\$9,481,879	\$213,113,702	\$168,206,340	\$44,907,362
Utah	\$26,804,496	\$946,669	\$27,751,165	\$28,076,877	\$0
Vermont	\$16,596,803	\$610,358	\$17,207,161	\$0	\$17,207,161
Virginia	\$69,121,820	\$3,025,756	\$72,147,576	\$33,270,545	\$38,877,031
Virgin Islands	\$3,319,361	\$0	\$3,319,361	\$0	\$3,319,361
Washington	\$65,825,930	\$2,785,687	\$68,611,617	\$42,474,187	\$26,137,430
West Virginia	\$22,043,424	\$879,836	\$22,923,260	\$21,340,794	\$1,582,466
Wisconsin*	\$54,013,843	\$2,474,263	\$56,488,106	\$44,043,079	\$12,445,027
Wyoming	\$18,021,803	\$685,358	\$18,707,161	\$7,967,787	\$10,739,374
<b>Total</b>	<b>\$3,195,253,076</b>	<b>\$133,620,789</b>	<b>\$3,328,873,865</b>	<b>\$2,030,744,194</b>	<b>\$1,304,609,467</b>
* Audit in progress					
†Second audit in progress					
^Audit planned for FY 2011					

The OIG has completed an audit of two of the Help America Vote College Program grants. Both grants were given to a single grantee and totaled \$33,750. Due to a lack of supporting records, we questioned all costs and the grantee is in the process of repaying all \$33,750. The OIG also has an ongoing audit of one of the five grants distributed under the Election Data Collection grant program. That grant is in the amount of \$2 million. The audit is expected to be completed in 2010.





## AUDITS, EVALUATIONS, AND INVESTIGATIONS OF EAC

The OIG oversees annual audits of the EAC's financial statements and compliance with the Federal Information Security Management Act (FISMA). These audits are conducted by an independent public accounting firm. The EAC received an unqualified opinion on its FY 2010 financial statements. The EAC has shown dramatic improvement in its financial management processes since its first financial statement audit in FY 2008, which resulted in a disclaimer. The FY 2010 audit of EAC's FISMA compliance also demonstrated vast improvement and substantial compliance with FISMA. Prior audits had noted significant deficiencies in meeting FISMA requirements.

In addition to these annual reviews, the OIG has conducted six reviews of EAC programs and operations and one investigation into the working environment at EAC. Two of those reports found favorable conditions at the EAC and resulted in no recommendations. In each of the other reports, we made recommendations to improve the efficiency and effectiveness of the EAC programs.

These reports form the basis of our annual report on the EAC's top management challenges. For FY 2010, the OIG reported on five management challenges facing the EAC: performance management and accountability, financial management and performance, information technology and security, human capital management and records management. We resolved the financial management and performance challenge as the EAC had taken steps to implement all of the recommendations that had been made in the past financial statement audits and obtained an unqualified opinion on its current audit. The other four challenges remain open as EAC has yet to implement all recommendations made in various reports to improve its internal control structure, information technology and privacy act information security, working environment issues, and records management.

We consider the performance management and accountability and human capital management challenges to be the most significant. In 2008, the OIG issued its Assessment of the U.S. Election Assistance Commission's Programs and Financial Operations. In that report, the OIG issued numerous findings related to the need for documented policies and procedures. These recommendations touched nearly every division then existing at EAC, including communications, research, testing and certification, finance and administration, and programs and services (grants). While the EAC has made significant progress in developing policies and procedures, work remains to be done to complete policies and procedures for all of EAC's operations.



The absence of documented policies and procedures has created and exacerbated other problems at the EAC. One example is the disclaimer that EAC received in its first financial statement audit. Also, failure to implement policies and procedures has left an information gap and a lack of understanding of expectations on the part of EAC employees. This information divide is evidenced in EAC's employee surveys. In 2007, 2008, and 2009, the employees reported a lack of understanding of the goals and priorities of the organization as well as the expectations on them as individual employees. Based on the 2009 survey, less than half of respondents believed that:

- Managers communicate the goals and priorities of the organization (45%);
- Leaders generate high levels of motivation and commitment in the workforce (42%);
- Employees have a feeling of personal empowerment with respect to work processes (34%);
- Promotions are based on merit (34%);
- Employees understood what they had to do to achieve a certain performance rating (41%); and
- Pay raises are dependent on how well a job is performed (28%).

Employee Survey 2009, questions 15, 18, 20, 26, 29, and 31.

These employee concerns were echoed in our 2010 investigation into the EAC's working environment. The investigation was spurred by 15 complaints from confidential and anonymous sources alleging infractions from cronyism to retaliation. The investigation was conducted by another Federal Office of Inspector General on our behalf. It revealed that the EAC did not have a hostile working environment as defined by Federal statute and no actual retaliation occurred. However, it did open a window in to the fears and concerns of EAC employees, the existences of an "us/them" environment, and potentially inappropriate activities at EAC events.

We referred the investigative report to EAC management for follow up under our human capital management challenge. As a part of that challenge, we admonished the EAC to address expressed concerns with performance measurement. Employees who are performing should be rewarded, and those that are not should be disciplined. In addition, we noted that EAC must ensure that people with appropriate skill sets are tasked to perform critical functions. The EAC has hired a number of competent and trained personnel to assist with its financial and other administrative needs. The EAC has significantly increased the total number of employees and its corresponding administrative costs. In these tight economic times, the EAC must take a hard look at its workforce and resources to ensure that needed skills are retained.

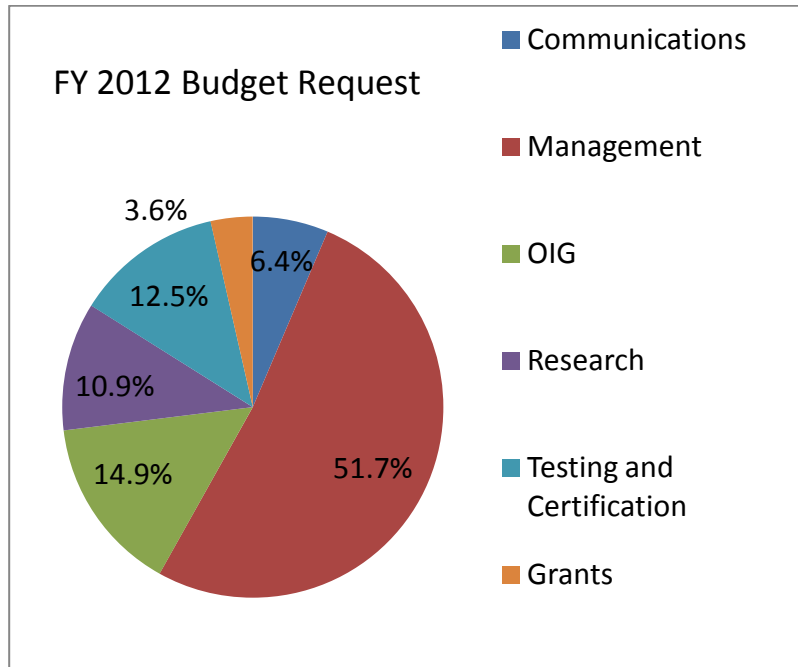




## EAC'S OPERATING BUDGET

The EAC's FY 2012 budget request totals \$13,715,665, which includes a transfer of \$3.25 million to the Department of Commerce National Institute of Standards and Technology. EAC is left with an operating budget of \$10,465,665. This is a significant reduction over its FY 2010 and FY 2011 continuing resolution operating budget of \$14,459,000. In its submission accompanying the President's budget request, the EAC disburses the \$10,465,665 as follows:

EAC Program	Amount
Management†	\$5,406,718‡
Communications	\$669,583
OIG	\$1,562,346
Research	\$1,137,025
Testing & Cert	\$1,307,493
Grants	\$372,500



†Management includes expenses for the following offices and activities: Commissioners, advisory boards, Executive Director, public meetings, General Counsel, Chief Operating Officer, and Chief Financial Officer. We believe that the management allocation also includes infrastructure costs such as rent that could be allocated to the programs.

‡The \$5,406,718 proposed by the EAC for its management expenses is understated by \$10,000. The sum of the line items in the management section total \$5,416,718. For purposes of this testimony, we will use the numbers as presented by EAC despite their errors.

The OIG's portion of the FY 2012 budget is proposed at \$1,562,346. With these funds, the OIG expects to continue to audit states and EAC programs, albeit at a reduced level. We will continue to work with three full-time staff and contract auditors.



The FY 2012 allocations result in reductions to all programs but at different levels. Below is a chart showing the amounts allocated to the EAC programs in FY 2010 and the percentage reduction to the programs in the FY 2012 proposed budget.

EAC Program	FY 2010 Allocation	FY 2012 Request	% Reduction in FY 2012
Management	\$6,520,094	\$5,406,718	17.1%
Testing and Certification	\$1,861,008	\$1,307,493	29.7%
Research	\$1,544,817	\$1,137,025	26.4%
Communications	\$848,752	\$669,583	21.1%
Grants	\$1,914,069	\$372,500	80.5%
Office of Inspector General	\$1,770,259 <sup>4</sup>	\$1,562,346	11.7%
<b>Total</b>	<b>\$14,458,999</b>	<b>\$10,455,655</b>	<b>27.7%</b>

We believe that the EAC's FY 2012 budget request demonstrates a continuing concern that this Committee has voiced regarding EAC's operation: that the EAC's overhead is too high. EAC uses \$5,406,718 to manage programs totaling \$3,486,601.<sup>5</sup> In its FY 2012 budget submission, the EAC stated a commitment to developing structural reorganization scenarios that would allow the agency to meet its statutory obligations with fewer resources. We would urge the EAC to take a hard look at its overhead and infrastructure in comparison to its program costs. We believe that there are cuts to be made and efficiencies to be accomplished in its administrative operations, winnowing away at what has become a bloated bureaucracy. We also would urge this Committee to hold the EAC to its word. The EAC must be accountable to this Committee and thereby the taxpayers of the United States as to their use of Federal funds.

However, we must caution that change may come slowly at the EAC. The EAC is operating with only two of the four Commissioner positions filled. With only two Commissioners, the EAC lacks a quorum and cannot vote or act to make policy and strategic changes. We hope that the Administration and Congress will act swiftly to fill these vacancies.

## CONCLUSION

As you are aware, some of your colleagues would propose to do away with the EAC. Representative Harper has filed a bill to abolish the EAC. While the Office of Inspector General functions as a part of the EAC, it is neither our job nor our prerogative to urge the abolishment

<sup>4</sup> The FY 2010 President's budget request for the EAC included \$1,888,960 for the OIG, while the EAC allocated \$1,770,259. The \$1,562,346 requested in the FY 2012 President's budget is actually a 17.3% reduction from the FY 2010 President's request.

<sup>5</sup> The program total excludes the funding for the OIG as the EAC provides no management function over the OIG.



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or the salvation of the EAC. Rather, it is ours to work with EAC and this Committee to make EAC operations more effective and efficient and to ensure that the money dedicated by Congress for election reform is spent for its intended purpose.

I appreciate the opportunity to come before the Committee today and share with you our work and our thoughts on how to improve EAC programs and operations. I would be pleased to address any questions that you may have.