

U.S. ELECTION ASSISTANCE COMMISSION OFFICE OF INSPECTOR GENERAL



Management Letter:

Issues Identified During the Audit of the U.S. Election Assistance Commission's Fiscal Year 2009 Financial Statements

**No. I-PA-EAC-01-09(A)
NOVEMBER 2009**



U.S. ELECTION ASSISTANCE COMMISSION
OFFICE OF INSPECTOR GENERAL
1225 New York Ave. NW - Suite 1100
Washington, DC 20005

November 13, 2009

To: Gineen B. Beach
Chair, U.S. Election Assistance Commission

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

Subject: Management Issues Identified During the Audit of the U.S. Election Assistance Commission's Fiscal Year 2008 Financial Statements
(Assignment No. I-PA-EAC-01-09(A))

We contracted with Leon Snead & Co. (Leon Snead), an independent certified public accounting firm, to audit the U.S. Election Assistance Commission's (Commission) financial statements as of September 30, 2009 and for the year then ended. In conjunction with its audit, Leon Snead noted certain matters involving internal control and other operational matters that should be brought to management's attention. These matters, which are discussed in the attached letter, are in addition to those reported in Leon Snead's audit report on the Commission's financial statements (Assignment No. I-PA-EAC-01-09) and do not constitute significant deficiencies as defined by the American Institute of Certified Public Accountants.

Based on the information provided in the November 9, 2009 response to the draft management letter, we consider all of the recommendations resolved but not implemented. The OIG will monitor the implementation of the recommendations.

The Inspector General Act of 1978, as amended, requires semiannual reporting to Congress on all reports issued, actions taken to implement recommendations, and recommendations that have not been implemented. Therefore, we will include the information in the attachment in our next semiannual report to Congress. The distribution of this report is not restricted, and copies are available for public inspection.

We appreciate the cooperation and assistance of EAC personnel during the audit. If you or your staff has any questions, please contact me at (202) 566-3125.

Attachment

Cc: Commissioners Hillman, Davidson
Executive Director



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Management Letter

The Commission and Inspector General
U.S. Election Assistance Commission

We have audited the financial statements of the U.S. Election Assistance Commission (EAC) as of and for the years ended September 30, 2009 and 2008, and have issued our report thereon dated November 10, 2009. In planning and performing our audit of the financial statements of the EAC, we considered internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements.

In performing our audit, we noted matters involving internal control that are presented for your consideration. These comments and recommendations are intended to improve internal control within the EAC. We discussed these findings and recommendations with management. Our comments on these matters are set forth below.

1. Capital Assets Subsidiary Records

The fiscal year 2008 EAC financial statement audit report identified that EAC had not always properly capitalized assets, and instead had recorded assets as an expense in the year purchased. During fiscal year 2009, EAC undertook a detailed analysis of its accounting records to correct prior errors in accounting for capital assets. However, EAC has not yet been able to compile complete subsidiary supporting records to physically identify each capital asset that supports the general ledger.

Federal Financial Management System Requirements, Core Financial System Requirements, issued by the OMB, require that "...Subsidiary ledgers must support the general ledger at various levels of detail, whether totally integrated as part of the core financial system or interfaced from other systems."

Recommendation

Develop a time-phased corrective action plan to compile subsidiary records to support EAC's capital assets.

Agency Response

EAC officials, in a response to the management letter, dated November 9, 2009, advised that a comprehensive list of EAC's furniture, capitalized and expensed, has been prepared and will be used as a starting point with which to identify those assets that should be included in the capital asset records for the agency. The agency estimated that the agency would have a complete capital asset subsidiary record by the end of the first quarter of fiscal year 2010.

2. Accounts Receivable

EAC had not established a policy for determining an allowance for estimated uncollectible amounts for its accounts receivables. Although the footnotes disclosed that the EAC would use the direct write off method, this is not an acceptable method of accounting for losses due to uncollectible amounts. In addition, we identified an account totaling approximately \$15,000 that was shown in EAC records as a 2006 "loan" to an EAC employee.

Statement of Federal Financial Accounting Standards (SFFAS) No. 1: provides that losses on receivables should be recognized when it is more likely than not that the receivables will not be totally collected. Losses due to uncollectible amounts should be measured through a systematic methodology. The systematic methodology should be based on analysis of both individual accounts and a group of accounts as a whole.

EAC addressed this issue and implemented accounting policies for determining allowances for uncollectible amounts through a systematic methodology. EAC officials advised that they are researching the matter relating to the "loan" to the prior employee, and the actions the agency should take on this matter.

Recommendation

Develop policies and procedures for establishing an allowance for losses for EAC accounts receivables. Determine the reasons for the \$15,000 employee accounts receivable, and take appropriate actions to attempt to collect the amount due.

Agency Response

EAC officials advised that the accounting manual was completed effective September 30, 2009, and contains the EAC's accounts receivable policies regarding collection standards, and write-off and close-out procedures.

We have incorporated the agency's comments to our recommendations this management letter, and have attached a copy of the response, in its entirety, as an attachment to this report.

The EAC's written response has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the management the U.S. Election Assistance Commission, the Office of Inspector General, the Office of Management and Budget, and the Congress, and is not intended to be and should not be used by anyone other than these specified parties.

Leon Snead & Company, P.C.

Leon Snead & Company, P.C.

November 10, 2009




U.S. ELECTION ASSISTANCE COMMISSION
1225 NEW YORK AVENUE, N.W., SUITE 1100
WASHINGTON, D.C. 20005

November 9, 2009

Memorandum

To: Curtis W. Crider
Inspector General

From: Gineen Bresso Beach 
Chair, U.S. Election Assistance Commission

Subject: Fiscal Year 2009 Management Letter

The Election Assistance Commission (EAC) is in agreement with the two matters noted in the above referenced report. We offer our responses below.

1. Capital Assets Subsidiary Records – Develop a time-phased corrective action plan to compile subsidiary records to support EAC’s capital assets.

Management understands the need to compile a subsidiary record to support its bulk capital assets. Aided by the Administration Office of the EAC, a comprehensive list of all EAC’s furniture, capitalized or expensed, has been prepared. Management will use this list as a starting point with which to identify those assets included in the capital asset records.

Due to anticipated time constraints and delays in compiling needed records from the General Services Administration, Management targets the end of the first quarter of Fiscal Year 2010 as the estimated completion date for a thorough and accurate capital asset subsidiary record.

2. Accounts Receivable – Develop policies and procedures for establishing an allowance for losses for EAC accounts receivables. Determine the reasons for the \$15,000 employee accounts receivable, and take appropriate actions to attempt to collect the amount due.

EAC’s Accounting manual was completed effective September 30, 2009. Section 2.3.10 of the manual details EAC’s Accounts Receivable Allowance Policy, Collection Standards, and Write-Off and Close-Out Procedures.

As to the outstanding balance at September 30, 2009, the most significant balance is for a single employee who left the agency in late 2004. Research is being done to determine what collection procedures, if any, have been performed to date. This involves working with the General Services Administration (GSA) and the Office of Personnel Management (OPM) and EAC’s Office of the General Counsel.