

Semiannual Report to Congress



Office of Inspector General

*Federal Election Commission
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October 1, 2005 – March 31, 2006

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EXECUTIVE SUMMARY

I am pleased to submit this *Semiannual Report to Congress* covering the period October 1, 2005 through March 31, 2006. This report reflects our efforts to remain in accordance with the requirements of the *Inspector General Act of 1978*, as amended, and summarizes the major activities and accomplishments of the Federal Election Commission (FEC), Office of Inspector General (OIG).

The Executive Summary provides a brief synopsis of accomplishments and general activities as it relates to the Office of Inspector General and are described in greater detail in subsequent sections of this report. Our accomplishments were made possible by the dedicated efforts of a committed and professional staff.

The Office of Inspector General is responsible for directing and carrying out audits, inspections, and investigations related to the Federal Election Commission programs and operations. The OIG recommends policies that promote economic, efficient, and effective use of agency resources and programs that prevent fraud, waste, abuse, and mismanagement. The OIG is also responsible for keeping Congress and the Commission fully

informed regarding problems and deficiencies detected in FEC programs and operations, and the necessity for corrective action.

The audits performed by the OIG are conducted in accordance with the *Government Auditing Standards* issued by the Government Accountability Office (GAO). The investigations carried out by the OIG comply with the *Quality Standards for Investigations* developed by the President's Council on Integrity and Efficiency (PCIE) and the Executive Council on Integrity and Efficiency (ECIE).

During this semiannual reporting period, the OIG completed and released two audit reports. The first report entitled ***Audit of the FEC's Fiscal Year 2005 Financial Statements – OIG – 05-01*** was released November, 2005. Under a contract monitored by the OIG, Clifton Gunderson, LLP (CG-LLP), an independent certified public accounting firm, performed the audit of the FEC's FY 2005 financial statements.

The results of the financial statement audit were detailed in three reports: *Report on Compliance with Laws and Regulations; Report on Internal Control; and the Opinion on the Financial Statements*. The results of CG-LLP's tests of compliance with laws and regulations described in the audit report disclosed no instances of noncompliance with the laws and

regulations that are required to be reported under Government Auditing Standards and OMB Bulletin No. 01-02.

CG-LLP's planning and performance of the audit included consideration of the FEC's internal control over financial reporting. The auditors limited their internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 01-02 and consequently CG-LLP did not provide an opinion on internal control. CG-LLP audited the balance sheets and the related statements of net cost, changes in net position, budgetary resources, financing, and custodial activity of the FEC. CG-LLP issued a qualified opinion on the FEC's financial statements. Additional details pertaining to the FY 2005 financial statement audit can be found on page 12, the section entitled ***Audits***.

The second audit released by the OIG entitled ***Audit of the FEC's Public Disclosure Process – OIG – 02-03*** was conducted to 1) determine the extent, if any, of disclosure differences between candidate contributions reported by political committees and related political committee contributions reported received by candidates, and 2) assess whether an adequate process is in place to remedy any reporting discrepancies.

Our audit examined the extent of disclosure differences within the Commission's complex disclosure process and the magnitude of campaign finance data. We found that disclosure differences generally exist between the amounts of money reported given by a political action committee (PAC) and the contributions the candidate reported receiving. Overall, the OIG believes the FEC consistently constructs, for the most part, an accurate depiction of financial activities based upon the participation of Congress and other mandated filers.

The OIG made a few suggestions for improvement to the disclosure process. Management concurred with the OIG's determinations and acknowledged that there are areas that can be improved within the public disclosure process. The section entitled ***Audits*** starting on page 8, contains additional information regarding the public disclosure audit.

The OIG has one audit currently in progress - ***Audit of the FEC's Employee Transit Benefit Program - OIG-06-01***, commenced during this reporting period. The Employee Transit Benefit Program is a federally mandated program that provides a monthly transit subsidy to eligible employees who commute by means other than single-occupancy motor vehicles.

The primary objectives of the audit are to 1) assess program policies and operating procedures for compliance with applicable regulations, 2) verify employee compliance with program participation requirements, and 3) ensure the appropriate internal controls are in place. To obtain additional information pertaining to the audit of the transit benefit program, refer to page 16.

At this time, the OIG currently has seven hotline complaints at various stages. Information related to the hotline complaints can be found on page 18, the section entitled ***Hotline Complaints***. One criminal investigation was opened and one administrative investigation was closed during this reporting period. For further details on these investigations, see the ***Investigation*** section which can be found on page 19.

The section entitled ***Additional Office of Inspector General Activity***, found on page 21, contains information relating to other activities the Office of Inspector General was involved in during this reporting period.

THE FEDERAL ELECTION COMMISSION

In 1975, Congress created the Federal Election Commission (FEC) to administer and enforce the *Federal Election Campaign Act* (FECA). The duties of the FEC, an independent regulatory agency, are to disclose campaign finance information; enforce the provisions of the law; and oversee the public funding of Presidential elections.

The Commission is made up of six members, who are appointed by the President and confirmed by the Senate. Each member serves a six-year term, and two seats are subject to appointment every two years. By law, no more than three Commissioners can be members of the same political party, and at least four votes are required for any official Commission action. The Chairmanship of the Commission rotates among the members each year, with no member serving as Chairman more than once during his or her term.

OFFICE OF INSPECTOR GENERAL

The Inspector General Act of 1978 (P.L. 100-504), as amended in 1988, states that the Inspector General is responsible for: 1) conducting and supervising audits and investigations relating to the Federal Election Commission's programs and operations; 2) detecting and preventing fraud,

waste, and abuse of agency programs and operations while providing leadership and coordination; 3) recommending policies designed to promote economy, efficiency, and effectiveness of the establishment; and 4) keeping the Commissioners and Congress fully and currently informed about problems and deficiencies in FEC agency programs and operations, and the need for corrective action.

The mission of the OIG is to be an independent, objective voice that aids the Commission by promoting positive change, accountability and integrity. An inventory of suggested audits, investigations, and inspections received from a variety of sources is maintained. The most important challenges on which to focus our work are identified and the final step is to plan and conduct audits, investigations, and inspections that address those challenges.

The OIG follows the standards contained in the *Quality Standards for Federal Offices of Inspector General*, published by the President's Council on Integrity and Efficiency (PCIE) and the Executive Council on Integrity and Efficiency (ECIE), and GAO's *Yellow Book*. Our investigations comply with the *Quality Standards for Investigations*, which has been developed by the PCIE and ECIE.

AUDITS

TITLE: **Audit of the FEC's Public Disclosure Process**

ASSIGNMENT #: **OIG – 02-03**

RELEASE DATE: **December, 2005**

WEBSITE: **<http://www.fec.gov/fecig/disclosure.pdf>**

PURPOSE: The primary objectives of the audit were to: 1) determine the extent, if any, of disclosure differences between candidate contributions reported by political committees and related political committee contributions reported received by candidates, and 2) assess whether an adequate process is in place to remedy any reporting discrepancies.

The audit work was conducted between August 2002 and July of 2005. We performed a significant amount of background research to obtain an understanding of the FEC's disclosure process. We also conducted several preliminary meetings with management and contacted external organizations for information related to the audit. In order to achieve our stated objectives, we reviewed pertinent documentation, conducted interviews with Commission staff and performed extensive analyses of campaign finance data to identify anomalies and other attributes of the data. We also developed process narratives and flowcharts which document the

functions and processes of the FEC offices primarily responsible for the disclosure process.

Specifically, our audit examined the extent of disclosure differences within the Commission's complex disclosure process and the magnitude of campaign finance data. We found that disclosure differences generally exist between the amounts of money reported given by a political action committee (PAC) and the contributions the candidate reported receiving. In fact, we computed a total variance of 1.2 million dollars between PAC contributions reported disbursed and related PAC contributions reported received by our judgmental sample of fifty House and Senate candidates.

The total amount of PAC contributions reported given by the donor PACs did not equal the total amount of PAC contributions reported received by the fifty sampled candidates. Furthermore, remote users of the Commission's disclosure database are not adequately made aware of potential reporting discrepancies that could occur among reporting entities. The disclosure database accessible from the FEC Web site does not warn users to be cautious when making conclusions from the data files in regards to a candidate's campaign financing activity.

A variety of campaign factors that are inherently part of the FEC's campaign finance disclosure process produce disclosure differences between the amounts of money reported given by a PAC and the contributions the candidate reported receiving from the PAC. Differences between reporting entities can be attributed to: timing disparities, returned PAC contributions, duplicate transactions, inaccurate or incomplete reporting, inaccurate coding, the non-reporting of in-kind contributions, and differences in filing requirements.

Additionally, we found the lapse in time between PAC reported disbursements and candidate reported receipts of those disbursements can also cause disclosure differences. In fact, PAC and candidate transactions can cross over one or more reporting cycles. Furthermore, we found it difficult to accurately match a PAC disbursement with the exact candidate receipt of that PAC disbursement since the donor committee's identification number is not required to be included on the contribution check and one PAC can be known by several different names, acronyms, and abbreviations.

Overall, we believe the FEC consistently constructs, for the most part, an accurate depiction of financial activities based upon the participation of Congress and other mandated filers. To accommodate the evolving nature of the disclosure database, we found that the Commission has developed sound

policies and procedures that attempt to prevent, identify, and correct reporting variances. Thus, the agency continually makes the data available to provide the electorate with the ability to make educated, informed decisions on the political process based in part on where candidates for federal office derive their financial support. However, patrons must understand that, due to the magnitude and complexity of the mandated disclosure system, the data must be understood before assumptions are made regarding a candidate's campaign financing activities.

We discovered that the FEC's Web site doesn't encourage patrons to review both sides (donor and recipients) before making assumptions with the numbers. Nor does the disclosure database effectively disclose the inherent factors that cause disclosure differences. Considering this, we made a few suggestions for improvement to the disclosure process. Management concurred with the OIG's determinations and acknowledged that there are areas that can be improved within the public disclosure process.

AUDITS

TITLE: **Audit of the FEC’s Fiscal Year 2005 Financial Statements**

ASSIGNMENT #: **OIG – 05-01**

RELEASE DATE: **November, 2005**

WEBSITE: **<http://www.fec.gov/fecig/financial05.pdf>**

PURPOSE: *The Chief Financial Officers Act of 1990* (Public Law 101-576, commonly referred to as the “CFO Act”), as amended, requires the FEC Office of Inspector General (OIG), or an independent external auditor as determined by the Inspector General, to audit the agency financial statements. Under a contract monitored by the OIG, Clifton Gunderson LLP (CG-LLP), an independent certified public accounting firm, performed the audit of the FEC’s FY 2005 financial statements.

CG-LLP conducted the audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*, as amended. The results of the financial statement audit were detailed in three reports:

Report on Compliance with Laws and Regulations; Report on Internal Control; and the Opinion on the Financial Statements.

Report on Compliance with Laws and Regulations

FEC management is responsible for complying with laws and regulations applicable to the agency. To obtain reasonable assurance as to whether or not the FEC's financial statements were free of material misstatements, CG-LLP performed tests of compliance with certain provisions of laws and regulations, non-compliance with which could have a direct and material effect on the determination of financial statement amounts, and certain laws and regulations specified in OMB Bulletin No. 01-02. The results of CG-LLP's tests of compliance with laws and regulations described in the audit report disclosed no instances of noncompliance with the laws and regulations that are required to be reported under Government Auditing Standards and OMB Bulletin No. 01-02.

Report on Internal Control

The CG-LLP auditors obtained an understanding of the FEC's internal control; determined whether internal controls had been placed in operation; assessed control risk; and performed tests of controls in order to determine auditing procedures for the purpose of expressing an opinion on the financial statements. The auditors limited their internal control testing to those

controls necessary to achieve the objectives described in OMB Bulletin No. 01-02 and consequently CG-LLP did not provide an opinion on internal control.

In performing the testing of internal control necessary to achieve the objectives in OMB Bulletin No. 01-02, the auditors identified matters relating to significant deficiencies in the design or operation of FEC's internal control. The testing of internal control identified both reportable conditions and material weaknesses. The American Institute of Certified Public Accountants (AICPA) categorizes reportable conditions as matters relating to significant deficiencies in the design or operation of the internal control, which in the judgment of the auditor, could adversely affect the agency's ability to record, process, summarize, and report financial data consistent with the assertions by management in the financial statements.

Material weaknesses are reportable conditions in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements, in amounts that would be material in relation to the financial statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Opinion on the Financial Statements

CG-LLP audited the balance sheets of the FEC as of September 30, 2005 and 2004, and the related statements of net cost, changes in net position, budgetary resources, financing, and custodial activity for the years then ended. In the report dated November 7, 2005, CG-LLP issued a qualified opinion on the FEC's financial statements.

In addition to the three reports issued for the FY 2005 audit, a management letter was issued on December 9, 2005. The objective of the management letter is to bring to management's attention internal control weaknesses discovered during the audit that did not rise to the level necessary to be reported in the financial statement audit report.

Following the conclusion of the audit, the OIG, CG-LLP, and management met to discuss the lessons learned from the FY 2005 financial statement audit and to prepare for the FY 2006 audit.

AUDITS

TITLE: **Audit of the FEC's Employee Transit Benefit Program**

ASSIGNMENT #: **OIG – 06-01**

RELEASE DATE: **In Progress**

PURPOSE: The Employee Transit Benefit Program is a federally mandated program that provides a monthly transit subsidy to eligible employees who commute by means other than single-occupancy motor vehicles. The primary objectives of the audit are to 1) assess program policies and operating procedures for compliance with applicable regulations, 2) verify employee compliance with program participation requirements, and 3) ensure the appropriate internal controls are in place.

To prepare for the audit, the OIG obtained and reviewed pertinent documents such as mandated federal guidance on transit subsidies, OIG audit reports, and other transit benefit programs. A comprehensive audit guide was developed to satisfy the audit objectives.

The entrance conference was held with the Finance Office and Human Resources staff to discuss the objectives of the audit and the audit procedures to be performed.

The OIG reviewed the PeopleSoft Procurement Activity Reports to determine the number of travel vouchers valued at \$1,000 or more. PeopleSoft is the Commission's core accounting system used to maintain the FEC financial information. The OIG held several meetings with the Human Resources office to discuss management of the transit benefit program. The Human Resources and Labor Relations office is responsible for reviewing the transit subsidy program applications to determine eligibility and the amount of transit subsidy the employee is to receive. The OIG randomly selected program participants to verify employee compliance with program participation requirements.

The agencies SmartBenefits' program administrator was contacted to obtain copies of the agency's SmarTrip claiming reports for the period under review. The claiming reports are produced by METRO's online database system. The reports capture employee transit benefits usage data and will be used to observe the amount of transit subsidies actually claimed by program participants during the audit review period.

HOTLINE COMPLAINTS

The Office of Inspector General established a hotline to enable employees and others to have direct and confidential contact with the OIG. The OIG receives complaints through various means such as U.S. mail, telephone, electronic mail, and personal visits to the OIG. Once a hotline complaint has been received, a preliminary inquiry is conducted. When the inquiry has been completed, the hotline complaint can be closed with no further action taken, referred to management for action, or closed and an investigation is opened on the issue.

At the close of this reporting period, the OIG had a total of seven hotline complaints at various stages. Four hotline complaints are pending and three hotline complaints are in progress.

INVESTIGATIONS

The Office of Inspector General is authorized by the IG Act to receive and investigate allegations of fraud, waste and abuse occurring within FEC programs and operations. Alleged incidents of possible fraud, waste and abuse could include administrative, civil or criminal wrongdoing by FEC employees or contractors. Allegations are received primarily from FEC staff and management. However, members of Congress, other agencies, citizens, contractors, and public interest groups may also refer matters to the OIG for investigation.

In conducting investigations during the past few years, the OIG has sought assistance from, and worked jointly with, other agencies, including the Federal Bureau of Investigations (FBI), the Department of Justice Public Integrity Section, the U.S. Postal Service OIG, and others.

During this reporting period, the OIG opened one criminal investigation and closed one administrative investigation. The OIG initiated a criminal investigation in this reporting period as a result of alleged wrongdoing by one or more FEC employees. The investigation is being conducted jointly by the OIG and the FBI and the investigative team is working closely with the United States Attorney's Office for the District of

Columbia. The investigation is ongoing and the OIG plans to report the disposition of the investigation in a future semiannual report.

The OIG also closed one administrative investigation during this reporting period. The investigation was initiated in a previous reporting period based on an allegation received concerning the misuse of a government computer. As part of the OIG's investigation, the OIG requested computer forensic assistance from the U.S. Postal Service OIG to analyze the electronic files found on the government computer to determine if misuse had occurred.

The investigation findings documented the misuse of a government computer over a three year period that involved the viewing and downloading of a substantial amount of sexually explicit material on a government computer. Due to the nature of the sexually explicit pictures and videos, the OIG presented the evidence to the U.S. Attorney's Office for the District of Columbia to determine whether the material constituted child pornography, a criminal violation. The Assistant United States Attorney declined criminal prosecution in lieu of administrative recourse because the material did not constitute child pornography. The investigative findings were provided to management and the employee resigned from the Commission after being presented with the evidence.

ADDITIONAL OFFICE OF INSPECTOR GENERAL ACTIVITY

All legislation, as compiled by the Commission's Congressional Affairs Office, was reviewed by the Inspector General, as required by the *Inspector General Act of 1978*, as amended. The Inspector General reviews and provides comments, when appropriate, on all legislation provided by the PCIE/ECIE Legislative Committee. In addition, the Inspector General routinely reads all Commission agenda items and attends the Finance Committee meetings.

- The OIG responded to a survey conducted by the Audit Issues Committee of the Federal Audit Executive Council (FAEC). The committee conducted the survey to determine whether the OIG community would be interested in attending training related to the preparation for and execution of external peer reviews. The training would ensure that all peer reviewers have the same basic understanding of the overall purpose and objectives of an external peer review and to highlight the changes to the OIG community peer review guide. As a result of the survey, the FAEC has scheduled a training session on the peer review process and the OIG's audit staff is registered to attend the training.

- The OIG completed the *Access to Information* survey which was conducted by the GAO's Domestic Working Group. The survey, which was sent to all Federal IGs and selected state and local organizations, dealt with problems associated with accessing information and what strategies organizations have found successful in combating any problems in accessing information.
- The OIG responded to a data call regarding the PCIE/ECIE FY 2005 annual report. The annual report team asked a series of questions related to the OIG's audit and investigative statistics and the OIG's profile data. The information provided will be consolidated and will be included in the *PCIE/ECIE Annual Report to the President*.
- The OIG contacted the agency's National Archives and Records Administration (NARA) representative to inquiry about records management policies and procedures specific to OIGs. Meetings were held with the Administrative staff to obtain background information about the project and to discuss the Commission's records management project. The OIG obtained and reviewed a copy of the Commission's contract with STG (FEC records

management contractor) to determine what specific tasks the contractor will complete. According to the contract, STG is to assist the OIG in setting up OIG files to conform to file plans and record schedules.

- The OIG community launched the first PCIE E-Learning initiative during a previous reporting period. The FEC OIG is a participant in this pilot and had the opportunity to utilize the IGEL E-Learning program over the past six months. The OIG community was surveyed to ascertain the program's overall value to the OIG community. The OIG also completed the IG E-Learning (IGEL) Administrator Survey. This survey was conducted to collect feedback about the administrative process of the IGEL program. The data collected from the survey will be helpful in determining how to improve the support for IGEL program administrators. An IGEL Employee Survey was also completed by the OIG during this reporting period.
- The OIG reviewed a draft copy of the Disaster and Emergency Preparedness Guide, prepared by the PCIE/ECIE Inspection and Evaluation Committee. This guide is to assist IGs with the evaluation of their agency's emergency preparedness under the National Incident Management System Framework.

- On November 22, 2000 the President signed the *Reports Consolidation Act of 2000* (Public Law 106-531), an amendment to the *Chief Financial Officers (CFO) Act of 1990*. The *Reports Consolidation Act of 2000* requires Inspectors General to provide a summary and assessment of the most serious management and performance challenges facing Federal agencies and the agencies' progress in addressing these challenges. Previously, the Federal Election Commission Inspector General was not subject to this requirement, since the FEC was not a covered agency of the *CFO Act of 1990*. As a result of the enactment of the *Accountability of Tax Dollars Act of 2002*, the FEC is now subject to these provisions. The Inspector General's 2005 Statement on the Federal Election Commission's Management and Performance Challenges summarized three areas for inclusion in the *Federal Election Commission Performance and Accountability Report (PAR) Fiscal Year 2005*: Information Technology Security; Financial Reporting; and Human Capital Management. The Inspector General's assessment was based on information derived from a combination of several sources; including Office of Inspector General audit and inspection work,

Commission reports, and a general knowledge of the Commission's programs.

- On a daily basis, the OIG receives a number of e-mail inquiries. During this six-month reporting period, the OIG received a total of 8,732 e-mails - 7,570 of those e-mails were unreadable and 1,064 were advertisements or spammed e-mails. The OIG forwarded 98 electronic inquiries to other entities.

ECIE AND PCIE ACTIVITY

The President's Council on Integrity and Efficiency (PCIE) and the Executive Council on Integrity and Efficiency (ECIE) were established by Executive Order 12805 – May 11, 1992, to coordinate and enhance governmental efforts to promote integrity and efficiency, and to detect and prevent fraud, waste and abuse in Federal programs. The PCIE is comprised of IGs appointed by the President of the United States. The ECIE consists of IGs appointed by the head of their respective agencies.

The Commission's Inspector General is an active member of the Executive Council on Integrity and Efficiency and has provided input to a number of initiatives proposed by the Council. The ECIE serves as a forum for the exchange of views for the Inspector General Community. The Council identifies, reviews, and discusses issues that are of interest to the entire IG Community. The IG attends regular meetings held by the ECIE, and joint meetings of the President's Council on Integrity and Efficiency and the Executive Council on Integrity and Efficiency.

The OIG employees continually seek ways to improve skills and knowledge. For the period October 1, 2005 through March 31, 2006, the

Inspector General and/or the OIG staff attended the following training, meetings, programs, seminars, and/or conferences:

- ECIE – *Monthly Meetings*
- PCIE – *Financial Statement Audit Network (FSAN) Meeting*
- PCIE – *Inspection & Evaluation Roundtable Discussion*
- PCIE / ECIE – *Federal Audit Executive Committee (FAEC) Meeting*
- PCIE / ECIE – *Inspector General E-Learning (IGEL) Users Meeting*
- PCIE / ECIE – *SkillSoft Training Program – Introduction to Auditing*
- PCIE / ECIE – *SkillSoft Training Program – You and Your Time*
- PCIE / ECIE – *SkillSoft Training Program – Competency Program Courses*
- PCIE / ECIE – *SkillSoft Training Program – Delivering Your Message*
- PCIE / ECIE – *SkillSoft Training Program – Avoiding Errors in Usage and Punctuation*
- PCIE / ECIE – *Computer Crime and Intellectual Property Section’s (CCIPS) OIG Community Cyber Summit*
- *Small Agency Council – Contracting Basics for Contracting Officer’s Technical Representatives (COTR) Training*
- *Inspector General Management Institute (IGMI) – Professional Development Training*
- *Association of Government Accountants (AGA) – Leadership Meeting*
- *METRO – Smart Benefits Employer Seminar*

- Zylab, Inc. – *Information Technology (IT) Training*
- Federal Election Commission – *EEO Management Training*
- Federal Election Commission – *Administrative Liaison Group Meetings*
- Federal Election Commission – *Time and Attendance Refresher Training*
- Federal Election Commission – *Occupant Emergency Plan (OEP) Meeting*

Reporting requirements required by the *Inspector General Act of 1978*, as amended by the *Inspector General Act Amendments of 1988* are listed below:

Section 4(a)(2)	Review of Legislation	21
Section 5(a)(1)	Significant Problems, Abuses, and Deficiencies	None
Section 5(a)(2)	Recommendations with Respect to Significant Problems, Abuses, and Deficiencies	None
Section 5(a)(3)	Recommendations Included in Previous Reports on Which Corrective Action Has Not Been Completed-(Table III)	32
Section 5(a)(4)	Matters Referred to Prosecuting Authorities	None
Section 5(a)(5)	Summary of Instances Where Information was Refused	None
Section 5(a)(7)	Summary of Significant Reports	8
Section 5(a)(8)	Questioned and Unsupported Costs-(Table I)	30
Section 5(a)(9)	Recommendations that Funds be put to Better Use (Table II)	31
Section 5(a)(10)	Summary of Audit Reports issued before the start of the Reporting Period for which no Management Decision has been made	N/A
Section 5(a)(11)	Significant revised Management Decisions	N/A
Section 5(a)(12)	Management Decisions with which the Inspector General is in Disagreement	None

TABLE I

**INSPECTOR GENERAL ISSUED REPORTS
WITH QUESTIONED COSTS**

		DOLLAR VALUE (in thousands)	
	NUMBER	QUESTIONED COSTS	UNSUPPORTED COSTS
A. For which no Management decision has been made by commencement of the reporting period	0	0	[0]
B. Which were issued during the reporting period	0	0	[0]
Sub-Totals (A&B)	0	0	[0]
C. For which a Management decision was made during the reporting period	0	0	[0]
(i) Dollar value of disallowed costs	0	0	[0]
(ii) Dollar value of costs not disallowed	0	0	[0]
D. For which no Management decision has been made by the end of the reporting period	0	0	[0]
E. Reports for which no Management decision was made within six months of issuance	0	0	[0]

TABLE II

**INSPECTOR GENERAL ISSUED REPORTS WITH
RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE**

	<i>NUMBER</i>	<i>DOLLAR VALUE (in thousands)</i>
A. For which no Management decision has been made by the commencement of the reporting period	0	0
B. Which were issued during the reporting period	0	0
C. For which a Management decision was made during the reporting period	0	0
(i) dollar value of recommendations were agreed to by Management	0	0
based on proposed Management action	0	0
based on proposed legislative action	0	0
(ii) dollar value of recommendations that were not agreed to by Management	0	0
D. For which no Management decision has been made by the end of the reporting period	0	0
E. Reports for which no Management decision was made within six months of issuance	0	0

TABLE III

**SUMMARY OF AUDIT REPORTS WITH CORRECTIVE ACTIONS
OUTSTANDING FOR MORE THAN SIX MONTHS**

Recommendations

<u>Report Title</u>	<u>Report Number</u>	<u>Issue Date</u>	<u>Number</u>	<u>Closed</u>	<u>Open</u>
Audit of the FEC's Fiscal Year 2004 Financial Statements	OIG-04-01	12/04	42	12	30

OIG Products: *To provide products and services that promote positive change in FEC policies, programs, and operations.*

Objective A: Deliver timely, high-quality products and services that promote positive change.

Strategy:

- establish common OIG standards for communicating results;
- conduct quality assurance programs;
- solicit appropriate internal and external review and comment;
- comply with applicable statutory guidelines and standards;
- set realistic and appropriate milestones.

Objective B: Address priority issues and concerns of the Commission, Management, and Congress.

- Strategy:** Perform work that supports;
- Federal Election Commission and Congressional priorities;
 - Strategic Management Initiative efforts;

Focus OIG attention in the following areas of emphasis:

- managing change;
- resource allocation in relation to policy objectives;
- delivery of client service;
- causes of fraud and inefficiency; and,
- automation and communication.

Objective C: Follow-up and evaluate results of OIG products and services to assess their effectiveness in promoting positive change.

Strategy:

- Identify, as appropriate, lessons learned to improve timeliness and quality; and,
- conduct follow-up reviews to determine if intended results have been achieved.

Objective D: Satisfy customers, consistent with the independent nature of the OIG.

Strategy:

- establish professional communication and interaction with customers to promote the open exchange of ideas;
- incorporate customer feedback, as appropriate; and,
- be open to customer-generated solutions and options.

Performance Measures: Determine the timeliness and quality of products and services; their effectiveness in promoting positive change; and, reach agreement with management on at least 90% of recommendations within six months of the report issue date.

OIG Process: *To develop and implement processes, policies, and procedures to ensure the most effective and appropriate use of OIG resources in support of our people and products.*

Objective A: Maintain a dynamic strategic planning process.

Strategy:

- periodically review and update the strategic plan to address changing OIG and FEC priorities; and,
- identify factors that influence organizational change and develop short and long term plans to address them.

Objective B: Plan and conduct cost-effective work that address critical issues and results in positive change.

Strategy:

- solicit FEC and Congressional input in planning OIG activities;
- develop internal planning mechanisms to support FEC goals and priorities;
- ensure that priorities of IG are effectively communicated; and,
- identify specific targets for OIG review that are the most cost-effective

Objective C: Identify customer needs and provide products and services to meet them.

Strategy:

- establish new customer feed back mechanisms;
- consider and evaluate customers feedback when planning and developing products and services;
- respond to Congressional inquiries and request for briefing and testimony;
- promote open exchange of ideas and information through outreach and through use of e-mail; and,
- receive, evaluate, and respond, as appropriate, to information received through the OIG hotline and other sources.

Objective D: Implement efficient, effective, and consistent resolution and follow-up procedures.

Strategy:

- ensure that IG follow-up procedures are followed and that management is aware of their role in the process;
- establish common OIG standards for terminology, date maintenance and communications.

Objective E: Establish a positive and productive working environment.

Strategy:

- reengineer or streamline OIG procedures to achieve the most effective use of resources; and,
- ensure that necessary technologies, evolving and otherwise, are made available to staff as needed.

Performance Measures: An annual audit plan is issued; strategic plan is periodically reviewed; and, necessary technology is provided to staff to enable them to most efficiently perform their duties.

OIG Staff: *To maintain a skilled and motivated work force in an environment that fosters accountability, communications, teamwork, and personal and professional growth.*

Objective A: Attract and retain well-qualified, diverse and motivated employees.

Strategy:

- develop and implement a comprehensive recruiting program that attracts a broad population with the knowledge, skills, abilities, and expertise necessary to make meaningful contributions to the OIG;
- assess employee satisfaction and develop strategies to address employee concerns;
- identify reasons for staff departures and develop plans to foster greater staff retention; and,
- adhere to EEO principles and strive to maintain a diverse work force.

Objective B: Provide training and developmental opportunities to employees.

Strategy:

- assess training needs in relation not only to employee but also office needs as well;
- ensure that Government Auditing Standards in relation to training are adhered to; and,
- maintain a reporting system to ensure that educational requirements are met.

Objective C: Assess, recognize, and reward, when possible, performance that contributes to achieving the OIG mission.

Strategy:

- develop and articulate expectations for each employee's performance, including contributions in meeting the mission & goals of the OIG; and,
- ensure that rewards, when possible, are given in recognition of exceptional employee performance.

Objective D: Create and maintain a working environment that promotes teamwork and effective communication.

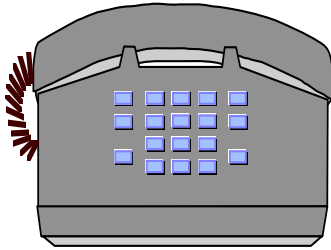
Strategy:

- ensure that communication between employees is open;
- provide employees with the tools and incentives they need to adequately perform their duties.

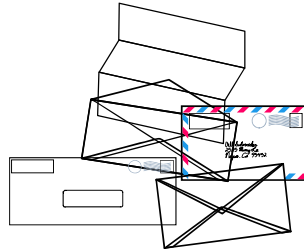
Performance Measures: All employees meet the training requirements; all employees have performance standards; and all employees meet the basic requirements for the position in which they were hired to perform.

CONTACTING THE OFFICE OF INSPECTOR GENERAL

The success of the OIG mission to prevent fraud, waste, and abuse depends on the cooperation of FEC employees (and the public). There are several ways to report questionable activity.



Call us at **202-694-1015** or toll-free **1-800-424-9530**. A confidential or anonymous message can be left 24 hours a day/7 days a week.



Write or visit us - we are located at: **Federal Election Commission
Office of Inspector General
999 E Street, N.W., Suite 940
Washington, DC 20463**

Mail is opened by OIG staff members only.



You can also contact us by e-mail at: **oig@fec.gov**.
Website address: **<http://www.fec.gov/fecig/fecig.shtml>**.

Individuals may be subject to disciplinary or criminal action for knowingly making a false complaint or providing false information.