

**OFFICE OF
INSPECTOR GENERAL**



Semiannual Report to Congress

October 1, 2002 – March 31, 2003

***Federal Election Commission
999 E Street, N.W., Suite 940
Washington, DC 20463***

May 2003

TABLE OF CONTENTS

EXECUTIVE SUMMARY.....	1
FEDERAL ELECTION COMMISSION.....	5
AUDIT.....	7
AUDIT FOLLOW-UP.....	10
INVESTIGATIONS.....	12
ADDITIONAL OFFICE OF INSPECTOR GENERAL ACTIVITY.....	13
ECIE AND PCIE ACTIVITY.....	16
REPORTING REQUIREMENTS.....	18
TABLE I - QUESTIONED COSTS.....	19
TABLE II - FUNDS PUT TO BETTER USE.....	20
TABLE III - SUMMARY OF AUDIT REPORTS WITH CORRECTIVE ACTIONS OUTSTANDING FOR MORE THAN SIX MONTHS.....	21
OIG STRATEGIC PLAN.....	22
CONTACTING THE OFFICE OF INSPECTOR GENERAL.....	23

EXECUTIVE SUMMARY

This semiannual report to Congress, covering the period October 1, 2002 through March 31, 2003, reflects our efforts to remain in accordance with the requirements of the *Inspector General Act of 1978*, as amended. The Executive Summary provides a summarization, over the past six months, of the major activities and accomplishments of the Federal Election Commission (FEC), Office of Inspector General (OIG). The audits and investigations, as well as other activities described in this report have one common attribute – all are aimed at improving the accountability and performance of the Federal Election Commission.

Due to an inquiry received from Congressman Stephen Horn, Chairman, Oversight Subcommittee on Government Efficiency, Financial Management and Intergovernmental Relations, the Office of Inspector General initiated the audit entitled ***Audit of the FEC's Public Disclosure Process – (OIG-02-03)***. Congressman Horn requested a complete review of how the Commission carries out its disclosure responsibilities and how the use of technology and controls to monitor and remedy reporting discrepancies can be improved.

The objectives of the audit are to: 1) determine the extent, if any, of disclosure differences between candidate contributions reported by political committees and related committee contributions reportedly received by

candidates; and 2) determine whether an adequate process is in place to remedy reporting discrepancies.

Because the Commission's public disclosure system is a multifaceted process, a substantial amount of meetings have been conducted with management officials in order to understand the entire disclosure process. During those meetings, the data coding and entry functions of the disclosure process was discussed and documented. In addition, a campaign finance computer database was created which will allow the OIG to perform a detailed analysis of campaign finance data. An extensive amount of time has been devoted and the OIG staff remains committed to completing this audit. For more information see the section entitled **Audit**, starting on page 7.

As reported in the previous semiannual report, the audit entitled **Agency Controls for Governing the Process for Procurement of Vendor Training Services (OIG-00-01)** still has four outstanding recommendations. The audit, released September 2000, was originally conducted to assess economy, efficiency, and effectiveness of management controls governing the process for procurement of training services obtained through outside vendors. The follow-up work conducted included reviewing various documents and working papers pertaining to the training audit.

While the OIG concluded that agency controls governing the process for procurement of vendor training services were not effective or efficient, no specific

instances of fraud or abuse was detected. For a detailed description of the follow-up work conducted, see the ***Audit Follow-up*** section, found on page 10.

The Inspector General staff has the authority to investigate complaints and information received from Commission employees, as well as management officials or others concerning possible violations of FEC programs and operations. During this reporting period, the OIG received one hotline inquiry. The individual, who requested anonymity, contacted the OIG's hotline regarding an FEC employee. Based on the information provided, the OIG initiated a preliminary inquiry to determine the validity of the allegations. For more information, refer to page 12, the section entitled ***Investigations***.

Significant accomplishments, as well as general activities pertaining to the Office of Inspector General are summarized below. However, items are described in greater detail, starting on page 13, the section entitled ***Additional Office of Inspector General Activities***.

- During the course of this reporting period, the IG reviewed and provided comments to the draft version of the *PCIE / ECIE FY 2002 Progress Report to the President*. Annually, the President's Council on Integrity and Efficiency (PCIE) and the Executive Council on Integrity and Efficiency (ECIE) gathers information for inclusion in the annual report to the President. The report highlights the major activities of the IG community. In addition to the President, all PCIE / ECIE

members, and the House and Senate Committees will receive copies of the final version.

- The PCIE Inspection and Evaluation Committee contacted the OIG to assist with their plans to develop a directory of IG reports on government purchase and travel credit cards. The OIG provided the committee with a copy of the FEC / OIG report entitled *Review of the Commission Travel – OIG – 96-02*. The directory will provide the OIG community, Congress, media, agency managers, and the general public with a more efficient and comprehensive way to access the work already done on the federal credit card program.
- The OIG received and responded to a questionnaire regarding the inspection and evaluation units within federal offices of inspector general. The President's Council on Integrity and Efficiency, along with the Health and Human Services / Office of Inspector General initiated the survey.

THE FEDERAL ELECTION COMMISSION

The Federal Election Commission (FEC) is an independent, regulatory agency responsible for administering and implementing the *Federal Election Campaign Act (FECA)*. The FEC is governed by a six member committee who are appointed for six year terms by the President of the United States, with the advice and consent of the Senate. The FECA likewise established the positions of Staff Director and General Counsel, who are appointed by the Commissioners.

Changes have occurred in the leadership of the Federal Election Commission during the course of this reporting period. The OIG warmly welcomes Ellen L. Weintraub as Chair of the Commission. Bradley A. Smith serves as the Vice Chair and the four remaining Commissioners are – Michael E. Toner; Danny L. McDonald; David M. Mason; and Scott E. Thomas.

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) keep the Commissioners and Congress fully and currently informed about problems and deficiencies in FEC agency programs and operations, and the need for corrective action.

Lynne A. McFarland serves as the Inspector General of the Federal Election Commission and reports directly to the six Commissioners. The OIG staff consists of four individuals – in addition to the IG, there are two Auditors and one Special Assistant. We remain focused upon providing the highest level of professionalism and quality work related to the detection and prevention of fraud, waste, abuse, and mismanagement.

In order to expand its audit capabilities, the Inspector General has requested additional funds to enable the OIG to contract out for audit assistance. As of this reporting period, the request has not been granted. The OIG will continue to petition for these additional funds.

AUDIT

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

ASSIGNMENT #: **OIG – 02-03**

RELEASE DATE: **In Progress**

PURPOSE: During the previous reporting period, the Office of Inspector General initiated the audit of the Commission's Public Disclosure process because the OIG received an inquiry from Congressman Stephen Horn, Chairman, Oversight Subcommittee on Government Efficiency, Financial Management and Intergovernmental Relations. Congressman Horn requested a complete review of how the Commission is carrying out its disclosure responsibilities and how the Commission can improve its use of technology and its controls to monitor and remedy reporting discrepancies.

The objectives of the audit are to: 1) determine the extent, if any, of disclosure differences between candidate contributions reported by political committees and related committee contributions reportedly received by candidates; and 2) determine whether an adequate process is in place to remedy reporting discrepancies. Congressman Horn was particularly concerned about issues raised in two reports created by The Project on Government Oversight (POGO) Committee. The Office of Inspector General agreed that the first priority is the disclosure audit and continues to dedicate time and effort to the progression of the audit. Because the Federal Election Commission's public

disclosure system is a multifaceted process, a substantial amount of research had to be obtained in order to understand the entire disclosure process.

To achieve our audit objectives, the OIG held several meetings with the Data Systems Development Division to document the data coding and entry function of the disclosure process. In order to recognize any problems and provide valuable recommendations, a campaign finance computer database, and a computer spreadsheet containing campaign finance data was created. The computer database contains hundreds of thousands of financial transactions related to federal campaign finance activity and will allow the OIG to perform a detailed analysis of campaign finance data.

Additional meetings were held with the manager of the Data Entry and Coding Branch to discuss the processing of campaign finance information which was incorporated into process narratives. To describe the agency's disclosure process, the IG staff also developed flowcharts. The flowcharts were created to show the Commission's entire process for receiving campaign data, which included the electronic filing process and hard copy filings.

Additional work associated with the audit also included reviewing and analyzing past suggestions and recommendations for amendments to the Federal Election Campaign Act (FECA) as it relates to the comparison of political committee and candidate data.

As the audit progressed, the OIG provided Congressman Horn with two status reports which included the audit objectives, audit work completed and still in progress, and the planned audit steps. However, neither of the reports contained any findings or conclusions. The IG staff remains committed to carrying out this audit and continues to review and summarize documentation to assist in the completion of the audit.

AUDIT FOLLOW-UP

TITLE: **Agency Controls Governing the Process for Procurement of Vendor Training Services**

ASSIGNMENT #: **OIG – 00-01**

RELEASE DATE: **September, 2000**
(audit report)

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

PURPOSE: The Office of Inspector General conducted this follow-up to determine if corrective action had been taken to address the four outstanding recommendations.

The audit was originally conducted to assess economy, efficiency, and effectiveness of management controls governing the process for procurement of training services obtained through outside vendors. The audit, released September 2000, covered numerous issues as it relates to staff development at the Commission using outside vendors.

The follow-up work conducted included reviewing the *OIG Audit / Inspection follow-up log* to determine what recommendations were still outstanding. The working papers for the training audit were also reviewed as well as management's actions taken thus far to address the audit findings and recommendations. Management supplied the OIG with draft procedures

associated with the training audit. The OIG reviewed the draft procedures. However, management was informed that the outstanding recommendations would not be closed until the procedures are issued in final. The OIG will continue to monitor the status of the four outstanding recommendations.

INVESTIGATIONS

The Office of Inspector General receives requests to conduct investigations from many sources. To enable direct and confidential contact with the FEC / OIG, public complaints or concerns continue to be received through the OIG voice mail, which also serves as the OIG complaints hotline after hours. The information received over the hotline is then analyzed to determine if further inquiry is warranted. During this reporting period, the OIG received one hotline inquiry. The individual, who requested anonymity, contacted the OIG's hotline regarding an FEC employee. Based on the information provided, the OIG launched a preliminary inquiry to determine the validity of the allegations.

In a previous semiannual report, the OIG reported receiving three requests asking that an investigation be conducted. One investigation was opened and is still in the process of being completed. The additional cases have not been activated due to lack staff availability. The OIG plans to evaluate the inactive cases to determine whether they warrant an investigation.

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 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 Finance Committee meetings.

- On an annual basis, the President's Council on Integrity and Efficiency and the Executive Council on Integrity and Efficiency gathers information for inclusion in the annual report to the President which outlines the major accomplishments of the IG Community. During the course of this reporting period, the IG reviewed and provided comments to the draft version of the *PCIE / ECIE FY 2002 Progress Report to the President*. Once the report is completed and released, the President, and the appropriate House and Senate Committees will be given copies.
- On several occasions, the Office of Inspector General provides assistance to other OIG's or PCIE / ECIE committees with projects that could benefit the IG community. During this reporting period, the

PCIE Inspection and Evaluation Committee contacted the Office of Inspector General and requested any IG reports that dealt with government purchase and travel cards. The PCIE Inspection Committee is in the process of developing a directory that will provide the OIG community, Congress, media, agency managers, and the general public with a more efficient and comprehensive way to access work previously done on the federal credit card program. A copy of the OIG report entitled *Review of the Commission Travel – OIG-96-02* was forwarded to the PCIE Inspection and Evaluation Committee.

- The OIG received and responded to a questionnaire regarding the inspection and evaluation units within federal offices of inspector general. The President’s Council on Integrity and Efficiency, along with the Health and Human Services / Office of Inspector General initiated the survey. The OIG responded to the questionnaire by providing a brief statement indicating the FEC OIG has neither a large staff nor a budget dedicated to inspections.
- The OIG also responded to a questionnaire in which we provided feedback on the Inspector’s General Auditor Training Institute (IGATI) financial audit courses. IGATI developed the questionnaire to aid in determining how they could better serve the training needs of the IG Community with respect to financial statement audit requirements.

- The OIG honored another request during this reporting period. The Department of Commerce OIG needed assistance in assembling a pricing matrix that compares what each IG office spends on the preparation of their *Semiannual Report to Congress*. The OIG responded to the inquiry by providing how the OIG produces and distributes the semiannual reports. Our reports are produced in-house and distributed to the members of the PCIE and ECIE, the President, and various members of Congress. The semiannual reports are also available via the FEC website at www.fec.gov/fecig.htm.
- The OIG provided the FEC Information Division with a brief synopsis of our most significant activities for calendar year 2002. The information forwarded included new activities and major changes to our operations and their beneficial effects, which will be used to assist the Information Division in preparing for the *FEC 2002 Annual Report*.

ECIE AND PCIE ACTIVITY

The Executive Council on Integrity and Efficiency was established by Executive Order on May 11, 1992. It consists of Designated Federal Entity Inspectors General and representatives of the Office of Government Ethics, the Office of Special Counsel, the Federal Bureau of Investigation and the Office of Management and Budget.

The Commission's Inspector General is a member of the ECIE and has provided input into a number of initiatives proposed by the Council and its associated activities. The ECIE serves as a forum for the exchange of views for the inspector general community. The ECIE identifies, reviews, and discusses issues that are of interest to the IG community. For the period October 1, 2002 through March 31, 2003, the Inspector General (or staff) attended the following training, programs, seminars and / or conferences:

- *ECIE - Monthly Meetings*
- *ECIE / PCIE – 2003 Joint Conference: Planning for the Future*
- *PCIE / ECIE – Awards Ceremony*
- *PCIE – Government Performance Results Act (GPRA) Roundtable Panel Discussion*
- *U.S. Department of Transportation – Executive Briefing on the OIG Knowledge Management System (KMS)*

- Inspector General Criminal Investigator Academy – *I.G. Investigator: Basic Non-Criminal Investigator Training Program*
- Federal Audit Executive Council - *Roundtable Discussion: The OMB's Performance and Financial Management Super Circular*
- Joint Financial Management Improvement Program (JFMIP) – *32nd Annual Financial Management Conference*
- Association of Directors of Investigation (ADI) Conference – *Working Together to Assure Accountability, Security and Justice*
- Financial Statement Audit Networking Meeting – issues discussed included the *Sarbanes-Oxley Act of 2002; status of OIG financial Audits of FY 2002; Revised Government Auditing Standards*
- Financial Statement Audit Networking Meeting – *issues relating to auditing agencies financial statements was discussed*
- Federal Trade Commission – *Accountability of Tax Dollars Act of 2002*
- Human Resources / *Government Performance and Results Act (GPRA) Roundtable Discussion – How investigative organizations can successfully measure and promote efficient and effective performance*
- Federal Election Commission – *Administrative Liaison Meetings*

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-----	13
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-----	21
Section 5(a)(4)	Matters Referred to Prosecutive Authorities-----	None
Section 5(a)(5)	Summary of Instances Where Information was Refused-----	None
Section 5(a)(7)	Summary of Significant Reports-----	7
Section 5(a)(8)	Questioned and Unsupported Costs-----	19
Section 5(a)(9)	Recommendations that Funds be put to Better Use-----	20
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

<p>TABLE I</p> <p>INSPECTOR GENERAL ISSUED REPORTS WITH QUESTIONED COSTS</p>
--

	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		

	NUMBER	DOLLAR VALUE (in thousands)
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>
Agency Controls Governing the Process for Procurement of Vendor Training Services	00-01	09/00	7	3	4

FEC / OIG Strategic Plan

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, Congress, and Management.

Strategy:

- Perform work that supports;
- Federal Election Commission and Congressional priorities;
- National Performance Review objectives;
- 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 inquires 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; and,
- 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.

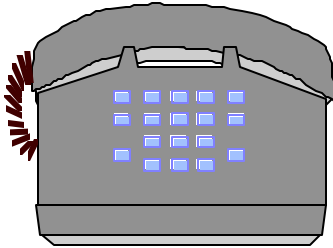
Strategy:

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

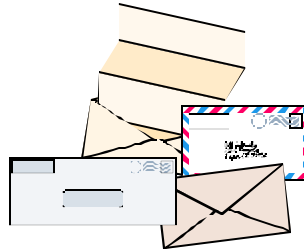
Performance Measures: All employees meet the training requirements; all employees have performance standards; and, all employees meet the basic requirements for the position in which they were hired to perform.

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**.
Our Website address: **<http://www.fec.gov/fecig.htm>**.

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