

***SEMIANNUAL REPORT
TO CONGRESS***



***FEDERAL ELECTION COMMISSION
OFFICE OF THE
INSPECTOR GENERAL***

***999 E STREET, N.W., SUITE 940
WASHINGTON, DC 20463***

APRIL 1, 2007 – SEPTEMBER 30, 2007

NOVEMBER 2007



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

November 20, 2007

OFFICE OF THE CHAIRMAN

The Honorable Nancy Pelosi
Speaker of the House of Representatives
Washington, D.C. 20515-6501

Dear Madam Speaker:

Pursuant to the Inspector General Act of 1978, as amended, the Federal Election Commission submits the Inspector General's Semiannual Report to Congress, which summarizes the activity of that office over the six-month period April 1, 2007 through September 30, 2007. During this reporting period the FEC's Inspector General commenced an audit of the FEC's fiscal year 2007 financial statements. The audit was completed on time and management issued the final Performance and Accountability Report on November 15, 2007. We are pleased to report that the Commission received an unqualified opinion from its outside auditors. We will provide additional comments on this audit in the next Semiannual Report to Congress.

Further, pursuant to Section 522 of the Consolidated Appropriations Act, 2005 (Pub. L. 108-447), the Inspector General contracted with an independent third party to review the agency's use of information in an identifiable form, and the agency's privacy and data protection polices. The privacy audit is currently underway. We anticipate that it will provide a baseline that will assist management in working with the IG and with other stakeholders to improve the agency's privacy and data protection management.

The Commission appreciates and shares the Inspector General's commitment to sound financial and management practices, and we anticipate a continued cooperative working relationship as management takes appropriate measures to improve operations of the Commission. Copies of this semiannual report are being provided to the Chairman and Ranking Members of FEC's oversight committees.

Sincerely,

A handwritten signature in black ink, appearing to read "R. Lenhard", written in a cursive style.

Robert D. Lenhard
Chairman

Enclosure

MANAGEMENT REPORT ON FINAL ACTION
ON AUDITS WITH RECOMMENDATION TO PUT FUNDS TO BETTER USE
FOR THE SIX-MONTH PERIOD ENDING SEPTEMBER 30, 2007

	<u>Number of Audit Reports</u>	<u>Funds to be Put to Better Use</u>
A. Audit reports for which no management decision has been made by the commencement of the reporting period	0	0
B. Audit reports issued during the reporting period	0	0
C. Audit Reports for which a management decision was made during the reporting period	0	0
(i) dollar value of recommendations that 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. Audit Reports for which no management decision has been made by the end of the reporting period	0	0
E. Audit Reports for which no management decision was made within six months of issuance	0	0

MANAGEMENT REPORT ON FINAL ACTION
ON AUDITS WITH QUESTIONED COSTS
FOR THE SIX-MONTH PERIOD ENDING SEPTEMBER 30, 2007

	<u>Number of Audit Reports</u>	<u>Questioned Costs</u>	<u>Unsupported Costs</u>
A. Audit reports for which no management decision has been made by commencement of the reporting period	0	0	[0]
B. Audit reports issued during the reporting period	0	0	[0]
Subtotals (A + B)	0	0	[0]
C. Audit Reports 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. Audit Reports for which no management decision has been made by the end of the reporting period	0	0	[0]
E. Audit Reports for which no management decision was made within six months of issuance	0	0	[0]



FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

A Message from the Inspector General

This report summarizes the work completed by the Office of Inspector General (OIG) for the semiannual reporting period April 1, 2007 – September 30, 2007.

During this reporting period, Congress has taken steps towards amending the *Inspector General Act*, an effort that has been ongoing for sometime. The House passed H.R. 928, a bill that enhances the independence of Inspectors General, establishes the Council of the Inspectors General on Integrity and Efficiency, and addresses the pay and bonuses of IGs, among other issues. The Senate appears to be moving forward on a similar bill. I am glad to see steps taken to address these issues.

This has also been a very active time for the OIG with the start of the 2007 Financial Statement Audit, the Audit of the FEC's Privacy Practices, and the peer review of another Office of Inspector General. We have also been active in the IG community, and have provided comments to the FEC on several issues.

I am still concerned about the current lack of additional resources, but the Federal Election Commission's fiscal year 2009 budget contains a request for two additional staff positions for the OIG. These positions are critical to the office and our ability to meet all of our responsibilities, and I am hopeful the agency's budget will be approved with the requested resources.

All staff continue to work at maximum capacity to accomplish the work of the OIG. I would like to thank the staff for their continued commitment and the level of professionalism and effort that goes into their work.

A handwritten signature in black ink that reads "Lynne A. McFarland". The signature is written in a cursive, flowing style.

Lynne A. McFarland
Inspector General
Federal Election Commission

October 31, 2007

TABLE OF CONTENTS

EXECUTIVE SUMMARY-----	1
THE FEDERAL ELECTION COMMISSION-----	4
OIG AUDIT ACTIVITY-----	5
OIG HOTLINE COMPLAINTS-----	9
OIG INVESTIGATIONS-----	9
ADDITIONAL OIG ACTIVITY-----	10
ECIE AND PCIE ACTIVITY-----	12
REPORTING REQUIREMENTS-----	15
TABLE I - QUESTIONED COSTS-----	16
TABLE II - FUNDS PUT TO BETTER USE-----	17
TABLE III - SUMMARY OF AUDIT REPORTS WITH CORRECTIVE ACTIONS OUTSTANDING FOR MORE THAN SIX MONTHS-----	18
FEC/OIG STRATEGIC PLAN – FY 2005-2010-----	19
OIG CONTACTS-----	20
LIST OF TRAINING, MEETINGS, AND CONFERENCES ATTENDED BY OIG STAFF-----	21
CONTACTING THE OFFICE OF INSPECTOR GENERAL-----	22

EXECUTIVE SUMMARY

The *Inspector General Act of 1978*, as amended, states that the Inspector General is responsible for conducting audits, inspections, investigations, and recommending policies and procedures that promote economic, efficient, and effective use of agency resources and programs that prevent fraud, waste, abuse and mismanagement. The IG act also requires the Inspector General to keep the Commission and Congress fully and currently informed about problems and deficiencies in the Commission's operations and the need for corrective action.

This semiannual report includes the major accomplishments of the Office of Inspector General, as well as relevant information regarding additional OIG activities. The executive summary highlights the most significant activities of the OIG. Additional details pertaining to each activity can be found in subsequent sections of this report.

The *Audit of the FEC's Fiscal Year 2007 Financial Statements – OIG-07-01* commenced during this reporting period. Under a contract monitored by the OIG, Clifton Gunderson LLP (CG-LLP), an independent certified public accounting firm, is performing the audit of the FEC's FY 2007 financial statements. The OIG is responsible for the financial statement audit and oversight of the contract auditors. This includes: 1) reviewing the auditors' approach and planning of the audit; 2) evaluating the qualifications and independence of the auditors; 3) monitoring the work of the auditors; 4) examining audit documents and reports to ensure compliance with Government Auditing Standards, and OMB Bulletin No. 07-04 *Audit Requirements for Federal Financial Statements*; and 5) other procedures the OIG deems necessary to oversee the contract and audit.

During the entrance conference management, the OIG, and CG-LLP discussed the audit scope and ways to ensure an efficient and effective audit process for fiscal year 2007. A timeline was established for the audit, along with requests to management for necessary documentation and information concerning the financial

statements (*for more information see the section entitled **OIG Audit Activity located on page 5***).

The *Audit of the FEC's Privacy Practices – OIG - 07-02* was also initiated during this reporting period. The Audit of the FEC's Privacy Practices is required as a result of a law signed by the President on December 8, 2004, titled the *Consolidated Appropriations Act, 2005* (Public Law 108-447). Section 522 (d) (3) of the law requires the Inspector General to contract with an independent third party privacy professional to evaluate the agency's use of information in an identifiable form, and the privacy and data protection procedures of the agency.

The OIG began plans to conduct an independent review of the FEC's implementation of privacy controls. The independent review is to include (a) an evaluation of the agency's use of information in identifiable form, (b) an evaluation of the agency's privacy and data protection procedures, and (c) recommendations on strategies and specific steps to improve privacy and data protection management. In preparation for the contract to hire an independent, third party privacy professional to conduct the audit, the OIG developed and issued a statement of work (SOW) and awarded the contract to Cotton & Company LLP, an independent public accounting firm (*for more information see the section entitled **OIG Audit Activity located on page 7***).

Prior to the end of this reporting period, the OIG had one investigation currently underway, and ten hotline complaints (*for more information see the section entitled **OIG Hotline Complaints located on page 9***).

Also during this reporting period, the OIG conducted an audit recommendations resolution of the *Audit of the FEC's Employee Transit Benefit Program – OIG-06-01*, released February, 2007. The purpose of audit resolution is to ensure management's action plan will address the weaknesses found during the audit. The OIG concluded that management implemented three of the twenty-five

recommendations contained in the 2007 audit report (*for more information see the section entitled **Additional OIG Activity starting on page 10***).

Additional information pertaining to the activities listed below can be found in the section entitled ***ECIE and PCIE Activity starting on page 12***):

Audit organizations conducting audits in accordance with GAGAS are required to have an independent peer review every three years. A schedule detailing peer review responsibilities between OIGs of ECIE agencies is disseminated annually. The FEC OIG is conducting the peer review of the Federal Finance Housing Board (FHFB). The objective of the peer review is to ensure an audit organization's internal quality control system adequately provides reasonable assurance that applicable auditing standards, policies, and procedures are met (**see page 13**).

The Inspector General is an active member of the Executive Council on Integrity and Efficiency and has provided input on a number of initiatives proposed by the Council. The IG attends regular meetings held by the ECIE, and the IG also participates in joint meetings and activities with the President's Council on Integrity and Efficiency.

During this past reporting period, the Inspector General was elected to the Executive Council of the PCIE/ECIE. The Executive Council is chaired by the Deputy Director of OMB for Management. The Vice Chair of the PCIE, the Vice Chair of the ECIE, the Chairs of the PCIE committees, and one elected member from the ECIE comprise the Council. The Executive Council meets quarterly and discusses issues that affect the IG community as a whole (**see page 12**).

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. At present there are five members - the current Chairman and Vice Chairman of the Federal Election Commission are Robert D. Lenhard and David M. Mason respectively. The remaining three Commissioners are Hans A. von Spakovsky, Steven T. Walther, and Ellen L. Weintraub. 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 Commission and Congress fully and currently informed about problems and deficiencies in FEC agency programs and operations, and the need for corrective action.

OIG AUDIT ACTIVITY:

Title: *Audit of the Federal Election Commission's
Fiscal Year 2007 Financial Statements*

Assignment Number: *OIG – 07-01*

Status: *In progress*

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, 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, is performing the audit of the FEC’s FY 2007 financial statements.

The OIG is responsible for the financial statement audit and oversight of the contract auditors. This includes: 1) reviewing the auditors’ approach and planning of the audit; 2) evaluating the qualifications and independence of the auditors; 3) monitoring the work of the auditors; 4) examining audit documents and reports to ensure compliance with Government Auditing Standards, and OMB Bulletin No. 07-04 *Audit Requirements for Federal Financial Statements*; and 5) other procedures the OIG deems necessary to oversee the contract and audit.

The entrance conference was conducted, at which time management, the OIG, and Clifton Gunderson, LLP, discussed the audit scope and ways to ensure an efficient and effective audit process for fiscal year 2007. A timeline was established for the audit, along with requests to management for necessary documentation and information concerning the financial statements.

The OIG coordinated and participated in bi-weekly audit status meetings with CG-LLP and management to discuss the progress of the audit and areas of concern.

CG-LLP has started providing management with notices of findings and recommendations (NFR). The NFRs inform management of potential audit findings and allows management the opportunity to respond to the issues before the final audit report is released.

The OIG also attended the SAS 99 fraud awareness meetings held with the OIG's auditors and FEC management. The American Institute of Certified Public Accountants (AICPA) Statement on Auditing Standards number 99, *Consideration of Fraud in a Financial Statement Audit*, requires the auditors to gather information to identify risks of material financial misstatement due to fraud. One of the methods used to gain information about the risk of fraud affecting the financial statements, is to conduct SAS 99 fraud awareness meetings and inquire about management's awareness and understanding of fraud risk. SAS 99 meetings were conducted with the FEC's Staff Director, Deputy Staff Director for Management & Administration, Budget Officer and Chief Financial Officer.

OIG AUDIT ACTIVITY (CONTINUED):

Title: *Audit of the FEC's Privacy Practices*

Assignment Number: *OIG – 07-02*

Status: *In progress*

The Audit of the FEC's Privacy Practices is required as a result of a law signed by the President on December 8, 2004, titled the *Consolidated Appropriations Act, 2005* (Public Law 108-447). Section 522 (d) (3) of the law requires the Inspector General to contract with an independent third party privacy professional to evaluate the agency's use of information in an identifiable form, and the privacy and data protection procedures of the agency. The independent review is to include (a) an evaluation of the agency's use of information in identifiable form, (b) an evaluation of the agency's privacy and data protection procedures, and (c) recommendations on strategies and specific steps to improve privacy and data protection management.

Section 522 requires the agency to have an independent third party review at least every two years, and requires the Inspector General to submit a detailed report on the review to the head of the agency. The independent third party report and related Inspector General reports are to be made available to the public, i.e. internet availability.

Prior to the commencement of the audit, the OIG surveyed the PCIE and ECIE agencies to determine how many were required to conduct a 522 Privacy review. Based on the results, the OIG contacted the affirming agencies to determine who performed the review and, where possible, obtained a copy of the statement of work or scope, and the resulting report. The results of the survey were compiled and provided to all PCIE/ECIE agencies. As a result of the information gained through research, direct interviews, and written questions, the OIG developed the statement of work.

Meetings were held with management to gain an understanding of the extent and nature of evidence to support privacy controls were in existence and working effectively at the FEC, and whether draft segments of the FEC Privacy Report would be finalized before the contractor began fieldwork.

A formal entrance conference with key FEC personnel responsible for privacy activities within the Commission was held. The meeting included representatives from the Office of General Counsel, the Information Technology Division, and the Human Resources office.

OIG 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, e-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 opened on the issue.

During the reporting period of April 1, 2007 through September 30, 2007, the OIG had a total of ten hotline complaints at different stages – eight are pending; two are in progress; and three hotline complaints have been closed.

OIG INVESTIGATIONS:

One investigation is currently underway.

ADDITIONAL OIG ACTIVITY:

Besides conducting audits, inspections, and investigations, the OIG performs, and is involved in an array of additional projects and activities. As required by the *Inspector General Act of 1978*, as amended, all legislation compiled by the Commission's Congressional Affairs office is reviewed by the Inspector General. The Inspector General also 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. The following are examples of the additional activities undertaken by the OIG during the past six months:

- ✚ The OIG conducted an audit recommendations resolution of the *Audit of the FEC's Employee Transit Benefit Program – OIG-06-01*, released February, 2007. The purpose of audit resolution is to ensure management's action plan will address the weaknesses found during the audit. Audit resolution was achieved as a result of discussions between the OIG and CFO, and the OIG's review of management's action plan. In addition, as a result of the OIG's review of action taken by management, the OIG concluded management implemented three of the twenty-five recommendations contained in the 2007 audit report.

The OIG plans to conduct an audit follow-up of the remaining outstanding recommendations during a future semiannual reporting period. The purpose of the audit follow-up will be to determine whether management has implemented the audit recommendations, thereby enabling closure of the remaining outstanding recommendations.

- ✚ The OIG provided comments to the Deputy Staff Director for Management & Administration on the draft version of *FEC Directive 63 - Delegation of Authority for Personnel Actions*. The purpose of the directive is to establish

general principles, concepts, and policies that govern human resources management (HRM) activities and practices within the FEC. These requirements constitute the framework for managing employees in an efficient and effective manner while ensuring adherence to Federal Human Resources (HR) laws, rules, and regulations.

- ✚ The OIG reviewed several versions of a draft *Breach Notification Response Policy & Plan*. The FEC developed the Breach Notification Response Plan (BNRP) in response to memoranda that the Office of Management and Budget (OMB) issued in 2006 and 2007. To mitigate the risk of harm (including identity theft) should a data breach occur, the OMB Memoranda recommends that agencies establish a core management group and policy to respond to the loss of certain categories of sensitive and personal information. The OIG provided high-level comments regarding the policy impact to the OIG.

- ✚ The OIG created, and released to agency employees, an informational brochure outlining the duties and responsibilities of the Office of Inspector General. Included in the brochure is information on OIG audits and evaluations; OIG investigations; employee protection; how to contact the OIG; examples of violations of laws or regulations that should be reported to the OIG; and how agency employees can continue to assist the OIG with combating fraud, waste and abuse within the FEC. An electronic version of the brochure is also available on the OIG website.

ECIE AND PCIE ACTIVITY:

The President's Council on Integrity and Efficiency (PCIE) and the Executive Council on Integrity and Efficiency (ECIE) were established May 11, 1992 by Executive Order 12805, and are chaired by the Office of Management and Budget, Deputy Director for Management. In addition to the Inspectors General, the councils include representatives from the Office of Personnel and Management, the Office of Government Ethics, the Office of Special Counsel, and the Federal Bureau of Investigations.

The PCIE/ECIE have identical functions and responsibilities 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 and confirmed by the Senate. The ECIE consists of IGs appointed by the head of their respective agencies.

The Inspector General is an active member of the Executive Council on Integrity and Efficiency and has provided input on a number of initiatives proposed by the Council. The IG attends regular meetings held by the ECIE, and the IG also participates in joint meetings and activities with the President's Council on Integrity and Efficiency.

During this past reporting period, the Inspector General was elected to the Executive Council of the PCIE/ECIE. The Executive Council is chaired by the Deputy Director of OMB for Management. The Vice Chair of the PCIE, the Vice Chair of the ECIE, the Chairs of the PCIE committees, and one elected member from the ECIE comprise the Council. The Executive Council meets quarterly and discusses issues that affect the IG community as a whole.

Audit organizations conducting audits in accordance with GAGAS are required to have an independent peer review every three years. A schedule detailing peer review responsibilities between OIGs of ECIE agencies is disseminated annually. The FEC OIG is conducting the peer review for the Federal Finance Housing Board (FHFB). The objective of the peer review is to ensure an audit organization's internal quality control system adequately provides reasonable assurance that applicable auditing standards, policies, and procedures are met.

The Inspector General attended the annual IG-GAO Coordination Meeting with Comptroller General of the United States, David Walker. Also in attendance representing GAO was the Chief Operating Officer, the Chief Administrative Officer, and the General Counsel. The Managing Directors of various GAO divisions were also present. Some of the topics discussed included an overview of GAO *Yellow Book* revisions, and IG and GAO coordination.

The Inspector General, in conjunction with the Department of Agriculture's Inspector General, co-hosted the Annual Inspectors General Conference – *Making a Positive Difference in a Challenging World*. The conference covered a wide range of topics including, Ethics, IT Security and Loss of Personally Identifiable Information, and Agency Head/IG Relationships. There was also a focus on leadership with sessions concerning Dilemma Decision Making, Leadership Lessons from the Civil War, and Future Direction for the PCIE/ECIE.

Clay Johnson, Deputy Director of Management, OMB, conducted a meeting involving all of the Councils that he chairs. The PCIE and ECIE were invited to attend. Mr. Johnson discussed the importance of transparency and accountability in government actions and the importance in making programs work more effectively.

The OIG attended a Congressional hearing held by a subcommittee of the Congressional Committee on Oversight and Government Reform. The hearing discussed the independence and accountability of Inspectors General. In addition,

the hearing reviewed how Inspectors General in federal departments and agencies can maintain independence from political pressure, whether IGs have the resources and authority required to fulfill their duties, and how Inspectors General who fail to perform with integrity can be held accountable. Also discussed during the hearing was *H.R. 928, Improving Government Accountability Act*, sponsored by Representative Jim Cooper.

The Inspector General, along with the Inspector General of the National Science Foundation, attended a meeting with staff members affiliated with Senators Coburn, Collins, Lieberman, and McCaskill to discuss pending legislation concerning Inspectors General and the affect of such legislation on the ECIE IGs.

REPORTING REQUIREMENTS

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

<u>IG ACT</u>	<u>PAGE</u>
Section 4(a)(2) Review of Legislation-----	10
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)-----	18
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-----	5
Section 5(a)(8) Questioned and Unsupported Costs-(Table I)-----	16
Section 5(a)(9) Recommendations that Funds be put to Better Use (Table II)-----	17
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****FINANCIAL STATEMENT AUDITS**

<u>Fiscal Year</u>	<u>Report Number</u>	<u>Repeat*</u>	<u>New</u>	<u>Recommendations</u>	
				<u>Closed</u>	<u>Total</u>
Fiscal Year 2004	OIG-04-01	0	42	12	30
Fiscal Year 2005	OIG-05-01	30	11	15	26
Fiscal Year 2006	OIG-06-02	26	13	10	29

* Repeat column represents recommendations from the prior fiscal year report that are still applicable to the current fiscal year report.

<u>Report Title</u>	<u>Report Number</u>	<u>Issue Date</u>	<u>Recommendations</u>		
			<u>Number</u>	<u>Closed</u>	<u>Open</u>
Audit of the FEC's Employee Transit Benefit Program	OIG-06-01	02/07	25	3	22

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

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.

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: 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 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 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: 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 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 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: 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 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 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: 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.

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 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: 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.

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.

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.

OIG CONTACTS:

The table below is a breakdown of the total amount of contacts received by the Office of Inspector General for the past six months – April 1 through September 30, 2007. These contacts were made through various sources such as telephone calls, personal visits to the OIG, e-mails, faxes, and U.S. mail:

Month	Contacts	OIG Action	No Action Necessary	Forwarded for Action
April	202	2	196	4
May	157	4	147	6
June	94	1	89	4
July	147	2	145	0
August	128	0	128	0
September	120	0	120	0
TOTAL	848	9	825	14

LIST OF TRAINING, MEETINGS, & CONFERENCES

The chart listed below depicts training, meetings, programs, seminars, and/or conferences attended by the Inspector General and/or the OIG staff for the period

April 1, 2007 – September 30, 2007:

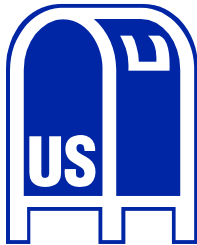
Host / Sponsor	Topic / Subject
ECIE	Monthly Meetings
PCIE	Financial Statement Audit Network Meetings
PCIE / ECIE	Awards Program Database Demonstration
Federal Audit Executive Counsel (FAEC)	Annual Conference
Association of Government Accountants (AGA)	56 th Annual Professional Development Conference – Creating Exceptional Value in a Changing World
Association of Government Accountants (AGA)	Second National Internal Controls & Fraud Conference
Association of Certified Fraud Examiners (ACFE)	Annual Association of Certified Fraud Examiners Conference
Health & Human Services / OIG	Conflict of Interest and Ethics Violation Summit
U.S. Postal Service / OIG	TeamMate – two day training session on how to effectively managing the OIG’s audit and evaluation process using TeamMate
U.S. Department of Agriculture / OIG	2007 Yellow Book Training
Department of Defense	TeamMate – one day refresher course
OIG	Monthly Staff Meetings and Monthly Meetings with Designated Counsel
FEC	All Managers’ Meeting
FEC	Administrative Liaison Group Meetings
FEC / HR Division	Performance Management Training
FEC / SkillSoft	IT Security Awareness
FEC / SkillSoft	MicroSoft Publisher 2003
FEC / SkillSoft	Employment and Labor Law
FEC / SkillSoft	Union Awareness
FEC / SkillSoft	Excellence in Internal Customer Service
IGEL / SkillSoft	Techniques for Better Time Management
SkillPath Seminars	The Indispensable Assistant

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.

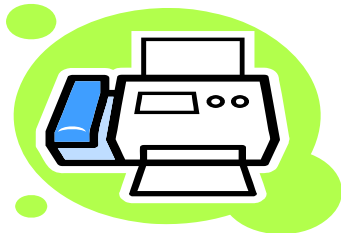


Call us at **202-694-1015** or toll-free **1-800-424-9530**. A confidential or anonymous message can be left 24 hours a day/7 days a week.



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

Mail is opened by OIG staff members only.



You can also fax (202-501-8134) or 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.