

## Executive Summary

For more than 200 years, a defining principle of American politics has been the use of an open, fair, and informed process to elect our Nation's leaders. While many governmental and public interest organizations share in the responsibility to maintain this principle, 27 years ago the Congress passed the Federal Election Campaign Act (FECA) and two years later created a central role for the Federal Election Commission (FEC). The FEC, especially in its early years, appeared as a strong force in overseeing the Federal election system. However, with an increasingly complex and controversial campaign finance system, FEC effectiveness in accomplishing its statutory responsibilities is being questioned.

As the agency charged with administering and enforcing the FECA, the FEC has four major statutory responsibilities:

- Provide disclosure of campaign finance information
- Ensure that candidates, political committees, and political parties comply with the limitations, prohibitions, and disclosure requirements of the FECA
- Administer the certification of public funding for Presidential elections and ensure that all related expenditures comply with the FECA
- Serve as a clearinghouse for information on election administration

**Project Scope.** The Treasury and General Government Appropriations Act of 1998 (Public Law 105–61) mandated that the General Accounting Office (GAO) contract for an independent technological and performance audit of the FEC on behalf of the Senate and House Appropriations and House Oversight Committees. In consultation with these committees, the GAO issued a statement of work on May 6, 1998, to conduct an evaluation of the FEC. The statement of work required an impartial assessment of the following areas:

1. The overall effectiveness of FEC in meeting its statutory responsibilities
2. The appropriateness and effectiveness of the FEC organizational structure, systems, and performance measures for accomplishing its mission
3. The adequacy of the FEC human resource programs for obtaining and maintaining adequate staff expertise and organizational capacity

4. The adequacy of the FEC strategic information resources management plan as a tool to increase FEC efficiency and effectiveness through the use of data-processing systems
5. The adequacy and completeness of internal management and financial control systems to efficiently and effectively serve FEC management needs, as well as the reliability of information provided by these systems
6. Regulated customer satisfaction with the products and services provided by the FEC

### **Overview of Findings**

Today, the FEC finds itself in an electioneering environment vastly different from the one 25 ago when it was created. Where once campaigns were characterized by “volunteers” and “contributions,” the current election process has evolved into a high-velocity system of complex transactions and litigious recourse, punctuated by the actions of a few participants engaging in behavior designed to push the limits of the traditional campaign finance system.

The FEC is basically a competently managed organization with a skilled and motivated staff, although it has shortcomings. The ability of the FEC to adapt to the changing election environment, however, has been hindered by the FECA statute itself, escalating campaign finance disclosure and compliance workloads, and an organizational culture that has attempted incremental change in a deadline-driven environment stretched by limited resources. As a result, notable strengths and weaknesses characterize the Commission. These are its general strengths:

- The FEC has a strong organizational focus on facilitating voluntary compliance within the filing community to create an accurate public record of campaign finances.
- The filing community is generally satisfied with the products and services provided by the FEC.
- Productivity has increased in the processing, review, and dissemination of campaign finance transactions in the face of increasing workloads.
- Confidentiality of potential and existing compliance matters is maintained throughout the report review, referral, audit, and enforcement processes.
- Disclosure and compliance activities are executed without partisan bias.

However, FEC operations have these shortcomings:

- Campaign finance report disclosure and review activities rely on an antiquated paper-based and manual transaction coding, entry, verification, and clarification processes.
- FEC organizational units operate in a compartmentalized and autonomous manner that leads to diminished communication, collaboration, and innovation.
- Because of limited staff resources and increasing case complexity, current volumes of enforcement cases appear to exceed FEC disposition capacity.
- Absence of a descriptive offense categorization approach to monitor and analyze compliance violations and closed enforcement matters limits Commissioner, policy maker, and public awareness of emerging FECA offense trends and how the FEC has allocated resources to respond to these changes. (Other Federal law enforcement agencies have developed these categorization profiles to track offender changes and readjust enforcement strategies.)

### **Assessment Findings for Six Specific Study Topics**

**1. With its current level of resources and escalating workloads, the FEC accomplishes its disclosure responsibilities, but struggles to meet its compliance mission.** The agency operates in a fair, impartial manner, maintaining strict confidentiality and a low tolerance for errors. It discloses campaign finance activity in a manner that effectively furthers the intent of the FECA. The FEC operates in an electoral environment where the vast majority of participants comply with the spirit and letter of the law. Against this background, however, the FEC applies its compliance and enforcement tools in a somewhat disjointed manner. Efficiency and productivity remain secondary considerations behind confidentiality, impartiality, and mistake avoidance.

The organization places a premium on facilitating voluntary compliance, and the regulated community values the products and services designed and employed by the FEC to enhance this voluntary compliance. The Commission's disclosure of the sources of campaign funds provides the electorate with opportunities to make informed choices. The process is highly customer focused and produces timely products; however, the FEC processes to review and disclose reported information involve many inefficient activities related to data coding, entry, and transaction clarification. More intelligible and useful information at less cost could be provided if the FEC made a number of enhancements to its filing, disclosure, and reports analysis processes.

The FEC compliance program seeks to ensure compliance with FECA prohibitions and limitations on the sources and amounts of funds and disclosure requirements. Unlike the disclosure program, the compliance program is not a unified process with predictable workflows. Because of limited staff resources and increasing case complexity, current volumes of enforcement cases appear to exceed FEC disposition capacity.

The Commission’s Enforcement Priority System (EPS) is a system for prioritizing enforcement matters in the face of limited staff resources. The EPS is a reasonable triage approach and operates without evident partisan bias. EPS allows the FEC to exercise prosecutorial judgment while providing sufficient structure to differentiate among cases for Commissioner disposition. Improvements to strengthen the accountability of the case-activation process and an increase in enforcement resources to expand the number of cases activated for disposition would enhance compliance effectiveness.

Exhibit ES–1 summarizes the FEC disclosure and compliance programs along the assessment criteria of mission achievement, results orientation, fairness, and efficiency.

Exhibit ES–1

**FEC Disclosure and Compliance Program Assessment Summary**

<b>Mission Achievement.</b> Do the core FEC programs further the letter and intent of the law? <i>Yes, with qualification.</i>	
<b>Disclosure</b>	<b>Compliance</b>
<ul style="list-style-type: none"> <li>• Disclosure deadlines routinely met</li> <li>• Disclosure enhances enforcement of FECA</li> <li>• Accurate public record of campaign finances ensured by reviewing and clarifying transactions</li> <li>• Disclosure database provides electorate with detailed campaign receipt, but not expenditure, information with which to make informed choices</li> </ul>	<ul style="list-style-type: none"> <li>• FEC seeks to enforce full FECA spectrum</li> <li>• FEC internal referrals yield more cases of “reporting” noncompliance, while external complaints yield more cases of “finance” noncompliance</li> <li>• 1,179 cases closed (1/1/94–9/30/98)               <ul style="list-style-type: none"> <li>➢ 2% Suit authorization (29)</li> <li>➢ 22% Conciliation (262)</li> <li>➢ 1% Probable Cause To Believe* (13)</li> <li>➢ 12% Reason To Believe* (140)</li> <li>➢ 3% No Reason To Believe (36)</li> <li>➢ 33% Low-priority dismissal (388)</li> <li>➢ 23% Staleness dismissal (273)</li> <li>➢ 3% Other dismissal (37)</li> </ul> </li> </ul>

\*With No Further Action taken.

Note: Percentages do not add to 100 percent because of rounding. In 1995, the FEC found one case with No Probable Cause To Believe with No Further Action taken. That case is not shown in the details above.

<b>Results Orientation.</b> Does the FEC produce strategic outcomes that add value to the Federal election system? <i>Yes, with qualification.</i>	
Disclosure	Compliance
<ul style="list-style-type: none"> <li>• High customer satisfaction with products and services</li> <li>• High value associated with public information</li> <li>• Reporting of campaign finance transactions are a significant part of the election process</li> </ul>	<ul style="list-style-type: none"> <li>• Focus on facilitating regulated community voluntary compliance to create an accurate public record of campaign finances</li> <li>• Uncertainty as to whether FEC selects the right cases to respond to emerging compliance offense trends</li> </ul>

<b>Fairness.</b> Are FEC programs conducted in an impartial, ethical, and independent manner? <i>Unqualified yes.</i>	
Disclosure	Compliance
<ul style="list-style-type: none"> <li>• No partisan bias apparent in document processing, coding, entry, or reports analysis</li> <li>• No partisan bias evident in release of public records or information</li> <li>• No partisan bias evident in reports analysis leading to internal audit or enforcement referrals</li> </ul>	<ul style="list-style-type: none"> <li>• High level of confidentiality maintained</li> <li>• No partisan bias apparent in the Enforcement Priority System</li> <li>• FEC staff generally perceived by filers and those who practice before the FEC as independent and nonpartisan</li> <li>• High ethical standards espoused throughout organization</li> </ul>

<b>Efficiency.</b> Does the FEC use its resources to achieve consistent performance in conducting its business? <i>Yes, with qualification.</i>	
Disclosure	Compliance
<ul style="list-style-type: none"> <li>• 33% of total FEC FY 1998 FTEs</li> <li>• Productivity varies with odd and even election cycle years</li> <li>• Productivity has increased for reports processing and Requests for Additional Information (RFAs)</li> <li>• Manual paper-based coding and data entry disclosure processes cause inefficiencies related to time, accuracy, cost, and compliance</li> <li>• Technology is improving productivity</li> </ul>	<ul style="list-style-type: none"> <li>• 31% of total FEC FY 1998 FTEs</li> <li>• 29% of Audit resources</li> <li>• 50% of Office of the General Counsel resources consumed by enforcement cases                         <ul style="list-style-type: none"> <li>➢ 50% of monthly pending cases activated for disposition</li> <li>➢ Decreasing case closure times</li> </ul> </li> <li>• 17% of Office of the General Counsel resources consumed by litigation</li> </ul>

**2. The FEC employs effective systems to establish performance objectives, measure results, and allocate resources to accomplish its key functions.**

**However, the current FEC organizational structure limits the degree of communication and the efficient achievement of some of its business objectives.** To measure its success in meeting its mission, the FEC develops annual performance plans with many specific measures for each of its four core programs. The agency maintains automated and manual systems to track actual results against planned accomplishments to adjust resources as necessary and to estimate budgetary needs. While the Office of the General Counsel currently tracks case status and enforcement resources manually, it is implementing a case management system to automate data collection and reporting.

Many FEC organizational units operate in a compartmentalized and autonomous manner. These “stovepipes” appear to have led to the following problems:

- An uneven understanding throughout the organization of how each unit performs its functions and the decision-making processes behind workflows
- Multiple handoffs between units that result in redundancies, rework, and extra concurrence processes
- Diminished sharing of “lessons learned” and “best practices” throughout the organization

The FEC needs to take steps to increase collaboration and communication among its work groups. Greater use of existing and new multidisciplinary teams to address reoccurring business problems will facilitate efforts to streamline work processes to better manage growing workloads. Until most campaign finance reports are filed electronically, however, limited opportunities exist to further streamline FEC disclosure and reports review operations. The Commission should continue efforts to streamline compliance functions by examining ways to reduce the number of handoffs among compliance offices and the levels of review within the Office of the General Counsel.

**3. FEC human resource practices support the maintenance of a strong institutional knowledge of the FECA. But in so doing, FEC staff have developed norms on the “ways things get done” that limit the ability to change.** FEC staff members are dedicated to the FECA and believe that they are making a difference. Overall, human resource recruitment, selection, and retention procedures are standardized and consistently used throughout the agency. Most senior managers feel that they are recruiting qualified candidates. However, there are a number of organizational culture issues that stem from long-tenured staff that discourage innovation and limit

needed organizational communication. Because many of the senior staff have been with the FEC for almost 20 years and may retire in the near future, the Commission needs to begin taking a more strategic and proactive approach to managing its workforce to maintain its organizational capacity.

**4. Since 1996, the FEC has made substantial progress in enhancing and upgrading its computing capabilities, but much remains to be done. A strong reliance on its information systems strategic plan helps the FEC maintain a disciplined approach on technology deployment. Deploying improved information systems remains critical to the future effectiveness and efficiency of the FEC.** The FEC pursues opportunities to employ technologies that increase disclosure and compliance program effectiveness. Program process efficiencies have been achieved by the following means:

- The migration to a client/server information technology environment with document-imaging and group-messaging capabilities
- The implementation of a limited electronic filing system to automate manual data entry and as the first step toward improving internal document receipt and review processes
- The transfer of the point-of-entry for House candidate committee filings to the FEC
- The ongoing implementation of an automated case management system in the Office of the General Counsel

Despite these accomplishments, important issues remain that must be addressed, such as the coordination and redesign of business processes based on new computer technologies, implementing methods to increase use of electronic filing techniques, and replacement of antiquated software used for the disclosure database system. Significant improvements in FEC effectiveness will require that these opportunities be addressed.

**5. The FEC maintains a comprehensive management information system that reliably captures detailed program performance and financial information used for formulating budget justifications.** This information is used by the FEC Finance Committee and senior staff to formulate budget justifications. The FEC effectively monitors its budget and allocation of FTEs and nonpersonnel resources, and its accounting and financial reporting systems appear to adhere to Federal financial reporting standards. FEC performance and financial information is comprehensive and has been in place for years, but it could be applied to a broader range of management planning and decision making throughout the organization.

**6. On balance, the surveyed filing community is quite satisfied with the products and services provided by the FEC.** While the level of usage of products and services varies, the degree of satisfaction is consistently positive. A telephone survey of 353 randomly selected filers was used to assess satisfaction, and those surveyed filers generally perceived the Commission to be fair and nonpartisan. On a scale from 1 to 10, where 1 means poor and 10 means excellent, surveyed filers gave the FEC an average rating of 8 on how well it was doing its job. Moreover, anecdotal interviews with other FEC stakeholders and practitioners agree that the FEC staff act in an impartial and independent manner and that the Commission's disclosure program adds value to the Federal election system. On the other hand, as some would expect, public interest advocates and legal practitioners engaged in adversarial actions with the FEC expressed dissatisfaction for a variety of reasons with the way the Commission selects, pursues, and disposes of compliance matters.

### **Growing Workload and Resource Issues**

Workload for the FEC has been escalating over the years. For example, during the 1996 election cycle with a Presidential election, candidate and committee disbursements exceeded \$2.7 billion, up dramatically from the \$1 billion election cycles in the late 1980's. During FY 1997 through FY 1998, the FEC coded and entered roughly 1.9 million transactions, compared with 800,000 transactions entered during the FY 1990–1991 period. Approximately 90,000 reports filed by more than 8,000 committees have been reviewed during the 1996 election cycle to date. To clarify reported transactions, more than 17,000 first and second Requests for Additional Information were sent to committees during this same period, an increase of five percent over the 1994 election cycle. The Reports Analysis Division referred 200 potential audits after the 1996 election cycle, compared with roughly 100 referrals each made after the 1994 and 1992 cycles. While the total number of enforcement cases pending at the end of FY 1998 declined to 195 from a level of 263 at the end of FY 1997, the complexity of those cases increased as measured by the monthly average number of respondents per pending case, which increased from 7 in FY 1997 to 11.5 at the end of FY 1998. As the number of respondents increases per case, each investigative step in the enforcement process consumes an increasing amount of resources to move the case forward.

Current and future workloads require increased productivity in the FEC disclosure and compliance programs. The Congress increased the FEC FY 1999 appropriation by \$4.85 million over its FY 1998 level of \$31.65 million (an increase of 15.3 percent). It also authorized a personnel ceiling



of 347 full-time equivalents (FTEs), an increase of 34 FTEs (10.8 percent) over the FY 1998 authorization of 313 FTEs. As shown in Exhibit ES-2, FEC FTE levels for FY 1999 have recovered from the effects of its FY 1995 appropriation recision, with an overall increase of 10 percent. The Commission will be assigning its new FTE resources to its Audit, Data Systems, and General Counsel activities.

Exhibit ES-2

**FEC FTEs for FY 1995-FY 1999**

FEC Division/Office	1995	1996	1997	1998	1999*	% Change '95-	
						1998	1999
Commissioners	19.1	16.3	15.6	15.2	20.0	-20%	5%
Staff Director	26.1	25.8	24.0	23.4	24.0	-10%	-8%
Administration	19.2	20.0	19.5	18.5	21.0	-4%	9%
Audit	31.3	37.3	33.6	31.8	42.0	2%	34%
Information	13.5	12.7	12.9	12.2	13.0	-10%	-4%
General Counsel	104.3	95.3	92.8	99.4	115.0	-5%	10%
Clearinghouse	6.0	5.2	4.8	4.8	5.0	-20%	-17%
Data Systems**	35.0	36.9	38.0	40.6	47.5	16%	36%
Public Disclosure	14.6	14.6	12.5	13.5	14.0	-8%	-4%
Reports Analysis	41.9	40.4	39.0	39.6	42.0	-5%	0%
Inspector General	3.8	4.0	4.0	3.7	4.0	-3%	5%
<b>TOTAL</b>	<b>314.8</b>	<b>308.5</b>	<b>296.7</b>	<b>302.7</b>	<b>347.5</b>	<b>-4%</b>	<b>10%</b>

Source: FEC FY 1999 and FY 2000 Budget Request Justification, FEC FY 1999 Management Plan.

\* FY 1999 shows authorized FTEs allocated according to FEC FY 1999 Management Plan. All other years are actual.

\*\*Includes Automated Data Processing and Electronic Filing System initiatives of 6.2 FTEs in 1996 and 1997, 10 FTEs in 1998, and 8.5 FTEs in 1999.

The FEC faces an increasing and volatile workload with the year 2000 election cycle, which features a nonincumbent Presidential election. Increased FTE and automated data processing initiative resources should facilitate improved FEC FY 1999 program performance. Depending on the number of Presidential candidate committees, the size of the enforcement caseload, and the Commission desire to increase case-activation rates, additional compliance resources in FY 2000 may be warranted above normal inflation-adjusted levels. FY 2000 appropriations should be conditioned on the agency's continued progress in implementing

opportunities to increase productivity in its disclosure and compliance programs.

To date, through incremental changes to management practices and beginning automation of business processes, the FEC has increased the productivity of its disclosure, audit, and enforcement activities in the face of escalating workloads. Future opportunities for improving efficiency need to focus on the FEC disclosure and compliance programs. The statutory construct of the Presidential public funding system and the minimal resources associated with the Office of Election Administration makes these programs a lower priority for improvement efforts.

As discussed in Section 3, FEC Organizational Assessment, and Section 4, Program Process Assessment, a number of short- and long-term changes could be made by the FEC to increase operational productivity to make it a high-performance organization.

### **Recommended Actions**

While the study identified 33 opportunities for improvement to increase overall FEC performance, Section 5, Summary of Recommendations, identifies the 21 changes that will yield the greatest benefit. These changes range from incremental short-term activities that could be conducted entirely by the FEC to significant and long-term changes that would require Congressional action. A summary of these improvement actions that would increase FEC efficiency and effectiveness follow.

The Congress and the FEC need to initiate actions that will eventually allow the FEC to shift some resources from its disclosure activities to its compliance programs by the following means:

- Develop a comprehensive, mandatory electronic data filing system for the major filers in conjunction with a significant business process reengineering throughout the FEC
- Redesign disclosure processes (using industry standard software) and realign organizational units to improve processing time, accuracy, and cost
- Monitor compliance with the FECA through a computer-based exception reporting system to verify transaction accuracy, content, and disclosure thresholds

Unless the paper-based, manual disclosure processes are changed to a mandatory and fully functional electronic filing system, the current well-regarded FEC disclosure function faces deterioration under the rapidly

increasing volume of campaign finance transactions expected in future election cycles.

Because of case complexity and the increasing number of respondents, important enforcement actions may not be activated in the future or may be dismissed for lack of resources. Increasing the number of enforcement personnel will increase case activation and closure rates. However, consideration of further increases in enforcement staff levels should be linked with implementation of steps to increase compliance and enforcement productivity in the following ways:

- Move nondeliberate and straightforward reporting violations such as failure to meet reporting deadlines away from the enforcement process and into an administrative fine system which will allow enforcement resources to focus on more significant violations
- Establish workload and performance standards for all compliance matters to better allocate and manage available resources
- Aggregate data about compliance matters by descriptive offense category to better coordinate screening criteria and prioritize compliance resources for the strategic outcomes desired by the Commissioners
- Reassess the roles and responsibilities of the Office of the General Counsel to reduce staff time consumed in repetitive legal reviews of enforcement matters and to harmonize the reports review and audit-screening referral criteria to expedite case activation

Finally, the FEC needs to renew itself by conducting a broad range of organizational development activities to strengthen leadership and accountability, to enhance human resource management, and to nurture increased communication and collaboration throughout the organization.

## **Conclusion**

While the FEC has accomplished much in its 25-year history, its future success will require that it aggressively pursue both incremental and significant changes in organization, work processes, technology, and management practice.

The threat of the increasing volume and volatility of workload for the FEC is real and near. Failure to change will lessen the FEC capacity to meet its basic FECA requirements, while at the same time it will require ever-increasing staff resources to meet those minimal requirements.

There is now a window of opportunity to renew the organization with the recent appointment of three new Commissioners, the need to appoint a permanent Staff Director and recruit a new Director of Personnel, and heightened attention to improving the Federal election process.

Change will not be easy, but it will be necessary if the FEC is to meet the difficult challenges it faces. Change will have to come from both inside and outside the FEC. This study has identified many steps that the FEC can take on its own to streamline operations, enhance management practices, and redesign business processes to leverage technology initiatives. However, several actions such as the authorization for mandatory electronic filing, the establishment of an administrative fine system, and the institution of a single point-of-entry for all registered committees will require Congressional action. Without these authorizations, it will be difficult for the FEC to capitalize on the many opportunities identified.

### **Agency Comments**

A draft of this report was provided the FEC on January 15, 1999, for review and comment. Their comments on the report are presented in full in Section 6, FEC Comments. As the Commission stated:

We take the recommendations seriously, and in the coming months, we will study them and try to find ways to implement those that will enable us to serve the public better and to more effectively carry out our mission of administering and enforcing the Federal election laws. While the recommendations are helpful, in some cases they are not sufficiently specific to be implemented without further definition and exploration. As a first step in responding to the report, therefore, we will seek, where appropriate, to undertake cost/benefit analyses and to define the specifics of the recommendations in the report.

In addition, their comments reiterated the FEC accomplishments identified in the report, endorsed the overarching themes of the recommendations, and recognized the influence of outside factors on FEC operations and the public's perception of the value that the FEC adds to the election process.

This report in its entirety is posted on the Internet at  
[www.gao.gov/special.pubs/publist.htm](http://www.gao.gov/special.pubs/publist.htm)