



This document is from the Federal Election Commission FY 2003 Budget Request concurrently submitted to both OMB and Congress on November 6, 2001. To see the other budget documents go to the FEC Budget page at <http://www.fec.gov/pages/budget/budget.html>.

September 28, 2001

The Honorable Bob Rey
Chairman
Committee on House Administration
1309 Longworth House Office Building
Washington, D.C. 20515

Dear Chairman Ney:

The Commission is pleased to submit its final report to Congress on its progress in implementing the recommendations contained in the PricewaterhouseCoopers *Technology and Performance Audit and Management Review of the Federal Election Commission*, submitted to Congress on January 29, 1999. The Commission benefited from this review and is proud of the manner in which we addressed the recommendations set forth by PricewaterhouseCoopers (PwC).

The sequence of events leading up to this final submission began with a legislative mandate. The Treasury and General Government Appropriations Act of 1998, Public Law 105-61, directed the General Accounting Office (GAO) to contract for an independent technological and performance audit of the FEC on behalf of the Senate and House Appropriations Committees and the Committee on House Administration. Subsequently, the GAO contracted with PwC to perform the task. PwC began its work on June 16, 1998, and submitted its final report to Congress on January 29, 1999.

Echoing the sentiments of the FEC's customer base, PwC basically found the FEC to be "competently managed with a skilled and motivated staff." In its final analysis, however, PwC identified specific areas that needed to be addressed, some of which could be accomplished internally, and others that required legislative action.

We are especially appreciative to Congress for its swift action on several of the recommendations outlined by PwC—mandatory electronic filing for major filers; election-cycle reporting; and establishment of an administrative fines schedule. The Commission has received high accolades for these initiatives, both from the media and from the filing community. Although these programs represent the cornerstones of our recent record of achievement, it is important to recognize the broad range of structural and technological steps we have taken to streamline our operations. Notable among these is the State Filing Waiver Program. Formally recognized by the Institute for Government Innovation at the John F. Kennedy School of Government at Harvard University, this

The Honorable Bob Ney
September 28, 2001
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program streamlines the processing and disclosure of campaign finance data. Candidates and PACs no longer have to file reports with those 48 States and territories which have the ability to provide the public with electronic access to the FEC website.

Again, thank you for affording us the opportunity to demonstrate our commitment to the FEC filing community and to the public. I welcome any comments or questions you may have.

Sincerely,

Danny L. McDonald
Chairman

Enclosure



**PricewaterhouseCoopers Audit Recommendations
Final Status Report to Congress
Submitted by the Federal Election Commission**

September 28, 2001

**PricewaterhouseCoopers's Recommendations/Improvement
Opportunities –Final Status Report
September 2001**

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PricewaterhouseCoopers's Recommendations/Improvement Opportunities -- Final Status Report

September 2001

Executive Summary

Following the publication of PricewaterhouseCoopers's audit¹ of the Federal Election Commission, the Committee on House Administration, then chaired by Representative Bill Thomas, requested that the Commission inform the Committee on its progress in implementing the recommendations contained in the PricewaterhouseCoopers audit. This is the sixth and final such progress report.²

This report includes, where possible, target dates for completion. Task forces and working groups that are working on the various recommendations and "other projects" are listed under Recommendation #7.

We have grouped current tasks into two categories:

- Tasks that will be completed in 4th quarter, 2001; and
- Task that will be completed in FY 2002.

All other tasks either have been completed or will continue to receive staff and Commission attention on a less expedited basis.

Tasks That Will Be Completed in 4th Quarter, 2001

- Enhancement of Title 2 audit-for-cause process (Recommendation # 15)
- Conduct customer satisfaction surveys after an election cycle (Recommendation #21).
- Implement Document and Tracking System in Audit (Other Project #6)

Tasks That Will Be Completed in FY 2002

- Compile an Annual Descriptive Offense Profile of compliance matters (Recommendation #12)
- Complete the Case Management System (Recommendation #14)
- Implement Document Management System in OGC (PCDocs) (Other Project # 5)
- Expand imaging process to include materials other than campaign finance reports (Other Project #7)

¹ *Technology and Performance Audit and Management Review of the Federal Election Commission*, January 29, 1999.

² Previously reports were submitted to the Committee on March 24, 1999, September 24, 1999, February 18, 2000, September 22, 2000 and March 23, 2001.

Interdepartmental working groups and task forces have made significant progress in carrying out the recommendations and projects, summarized below:

- **Transfer the point-of-entry for Senate candidate committee reports to the FEC** (Recommendation # 3).

The issue of facilitating electronic filing by Senate committees is still under consideration by the Senate Rules Committee. Nevertheless, the Commission has worked with the Senate Public Records Office to implement measures to transmit scanned images of reports filed with the Senate to the FEC. A high-speed communication line that has enabled the Senate to transmit its filings directly to the FEC has been installed. Senate images are being transmitted and processed so that all images of Senate financial reports are retrievable on the FEC Web site.

- **Transition to a paperless disclosure and reports review process** (Recommendation # 10).

The Reports Analysis Division is working with the contractor, NIC, on small modifications to the current electronic review process. Major modifications and additions to the program are being held in abeyance until the Commission's new client server system is in place. At that time, the review program will be expanded to provide automatic identification of disclosure and compliance problems.

- **Compile an annual descriptive offense profile of compliance matters to better inform Commissioners, policy makers, and the public about emerging law enforcement trends** (Recommendation # 12).

The Commission contracted with Booz/Allen & Hamilton to define the requirements for a comprehensive offense profile database. A requirements document was submitted to the Commission on February 22, 2000. On April 11, 2000, the Commission approved one alternative with modifications and referred the Booz/Allen recommendations to OGC for implementation. This project will be completed in FY 2002.

- **Complete the case management system and use the workflow and staff utilization data to establish enforcement workload standards** (Recommendation # 14).

The case management system is in use throughout OGC. Training of new employees is provided on an on-going basis. Proposals for refinement of the system are in the process of being completed. (It is the goal of the Staff Director and the General Counsel to complete this recommendation in FY 2002.)

- **Assign dedicated resources to establish a single Title 2 audit-for-cause process in the Audit Division independent of Title 26 audit resource requirements** (Recommendation # 15).

The FEC, from its earliest days, has had a 'for cause' audit program for non-Title 26 committees. Through 2000, there have been 460 such audits. (*FEC Annual Report 2000*, p.83.) The PwC recommendation was, in essence, to increase the number of audits under this program. The FEC has developed new internal procedures to enable such an increase. Additionally, the Audit Division has finalized a contract for a Requirements Analysis and

Cost Benefit Study to identify the requirements of an electronic audit workflow and management process. Implementation will occur during the fourth quarter 2001.

- **Expand imaging process to include materials other than campaign finance reports**
(Other Project # 7)

The Commission entered into a contract with AMS, a private sector vendor, for the development of a comprehensive document management system, including replacement of the imaging system that will significantly expand the use of imaging technologies throughout the Commission. The system is scheduled for implementation in FY 2002.

More detailed descriptions of progress on each Recommendation, Growth Opportunity and Other Project appear in the pages that follow.

PricewaterhouseCoopers's Recommendations/Improvement Opportunities

September 2001 Status Report--Final

Recommendations 1, 2, 4, 5, 7, 9, 12, 13 and 14 and Improvement Opportunity 4-15 were designated high priority by staff.

PwC Recommendations

1. Authorize mandatory electronic filing for major filers: Electronic filing offers the most cost-efficient and effective method to capture campaign finance transactions. The FEC needs legislative authority to require committees, which meet FEC-determined thresholds of financial activity, to file reports electronically by a date certain. (4.2.6)

PwC Approach: Congressional action required

PwC Timeframe: 2002 election cycle

Lead Office: Data

Participating Offices: Information, OGC Policy, RAD, Commissioners' Offices, Audit, Public Disclosure, and Press

Target Completion Date: Recommendation Completed December 2000

FEC Progress: On September 29, 1999, the President signed H.R. 2490, the fiscal year 2000 Treasury, Postal Service and General Government Appropriations Act, which mandates electronic filing in the 2002 election cycle for all political committees, other than Senate committees. The provision takes effect for reporting periods beginning after December 31, 2000. The Commission approved proposed rules, received public comments, and approved final rules, which were submitted to Congress for 30 legislative days on June 16, 2000. The new rules became effective for reporting periods beginning after December 31, 2000.

The first mandatory electronic filings were received for the monthly reports due on February 20, 2001. Of the 605 reports received for the February 20 filing, 440 reports were filed electronically. Only one committee that was required to file electronically submitted a paper report, and the committee was informed that the report had to be submitted electronically. More than 1,000 committees filed electronically during the 2000 election cycle under the voluntary electronic filing program.

The Mid-Year Reports, due July 31, 2001, represented the first large-scale use of the electronic filing system; 2,460 committees filed electronically, including 1,135 committees filing electronically for the first time. Year-to-date, approximately 8,000 reports have been filed electronically.

2. Standardize reporting on an election-cycle basis (campaign-to-date basis), rather than a calendar-year basis: Standardized reporting periods on an election-cycle basis would simplify candidate committee record-keeping, reduce the number of filing errors requiring RFAIs, and increase the usefulness of the disclosure database. (4.2.5)

PwC Approach: Congressional action required

PwC Timeframe: 2002 election cycle

Lead Office: Public Disclosure

Participating Office: OGC Policy, Audit, Press, RAD, Information, and Data

Target Completion Date: Recommendation completed December 2000

FEC Progress: On September 29, 1999, the President signed H.R. 2490, the fiscal year 2000 Treasury, Postal Service and General Government Appropriations Act, which included a change to the FECA requiring committees to report on an election-cycle basis. The new amendment changes the aggregate reporting of information for candidate campaigns from calendar-year to campaign-cycle reporting, effective for the reporting period beginning after December 31, 2000. The Commission approved proposed rules, received public comments, and then approved final rules, which were submitted to Congress for 30 legislative days on July 5, 2000. The new rules became effective for reporting periods beginning after December 31, 2000. Corresponding revisions to the reporting forms, transmitted to Congress in September 2000, also went into effect at the beginning of this year.

3. Transfer the point-of-entry for Senate candidate committee reports to the FEC:

The FEC must maintain separate and costly filing, imaging, and document retrieval processes to accommodate Senate filings. Establishing the FEC as the single point-of-entry for filings would reduce FEC costs and increase the timeliness of filing and compliance notices. (4.2.7)

PwC Approach: Congressional action required

PwC Timeframe: 2000 election cycle

Lead Offices: Public Disclosure and Data

Participating Office: OGC Policy

Target Completion Date: Recommendation completed September 2000

FEC Progress: The Commission worked with the Senate Public Records Office to implement measures to transmit scanned images of reports filed with the Senate to the FEC. The Senate contracted with a vendor to enhance the Senate's image scanning process by modifying images scanned at the Senate to make them conform with FEC images. These modifications allowed the FEC to integrate Senate images with the FEC's imaging system. The high speed communication line to enable the Senate to transmit its filings directly to the FEC has been installed, and the necessary communication components configured. Senate images are being transmitted and processed so that all images of Senate financial reports are retrievable on the FEC Web site. (This permits many Senate filers to stop filing a duplicate of their report with their Secretary of State due to the FEC's state-filing waiver program.) Paper copies of the electronically transmitted images are printed and made available for public review and data entry.

The issue of facilitating voluntary electronic filing by Senate committees is still under consideration by the Rules Committee.

4. Authorize the FEC to establish an administrative fine schedule, subject to reasonable appeal procedures, for straightforward disclosure violations: Moving these violations out of the formal enforcement process would allow more efficient and effective use of enforcement resources for activating and resolving more significant matters under review. (4.3.3.5)

PwC Approach: Congressional action required
PwC Timeframe: 2000 election cycle
Lead Offices: OGC and RAD
Participating Offices: Data, Public Disclosure, Congressional Affairs, and Staff Director's Office
Target Completion Date: Recommendation completed July 2000
FEC Progress: On September 29, 1999, the President signed H.R. 2490, the fiscal year 2000 Treasury, Postal Service and General Government Appropriations Act, which included an amendment to the FECA establishing an administrative fine schedule for straightforward reporting violations occurring between January 1, 2000, and December 31, 2001. Under an expedited review schedule, the Commission conducted a rulemaking, and approved a new fine schedule, new internal procedures, final regulations, and an implementation strategy that took effect on July 14, 2000. The program was implemented with the July Quarterly Reports due on July 15, 2000. As of September 19, 2001, the Commission has made public its final determinations in 247 cases and has collected civil penalties totaling \$316,622. In addition, the percentage of reports filed late in the latter part of the 1999-2000 election cycle decreased when compared to the two previous election cycles. For example, 11% of the 2000 Year-End Reports were filed late, while 24% and 22% were filed late for the 1998 and 1996 Year-End reporting periods respectively. The Commission submitted a priority legislative recommendation to Congress urging that the pilot program be extended to reporting periods that end on or before December 31, 2003, to permit additional time to evaluate the impact of the program.

5. Enforce the use of standard filing guidelines and forms for the entire regulated community during the transition to electronic filing: Standardizing how forms and amendments to forms are submitted and requiring the submission of all disclosure information in a typeface format would improve the disclosure and reports review processes. (4.2.5)

PwC Approach: Requires Notice of Proposed Rulemaking
PwC Timeframe: FY 1999
Lead Office: Public Disclosure
Participating Offices: Audit, Information, OGC Policy, RAD, Administration and Data
Target Completion Date: Redesign of Forms, Completed September 2000
FEC Progress: This recommendation has two parts: forms redesign and standardized reporting/processing practices. (See also: Other Projects 8.)

Forms Redesign. A contract for the redesign of FEC forms was awarded on September 14, 1999 and completed on March 21, 2000. The modifications to the forms are intended to improve the speed and clarity of processing and permit implementation of automated systems for converting paper reports to data in the most efficient manner. The redesigned reporting forms, including other changes required to implement statutory changes in election cycle aggregation and mandatory electronic filing, were transmitted to Congress in September 2000, and are now in use for reporting periods beginning on or after January 1, 2001.

Standardized Reporting/Processing Practices. On February 11, 2000, the working group submitted to the Staff Director a final document putting forth several reporting practices which, if standardized and enforced, would enhance the disclosure operation with more timely entry of itemized transactions and more accurate reporting. A draft document entitled “How to Amend Reports,” prepared by a subgroup of the task force, is included in the final package of recommendations.

6. Set up Internet connections on several PCs in the Public Records Division so that the public can access the FEC Web page: This step enhances resources available in Public Records. (4.2.1) (See also: Improvement Opportunity 4-3.)

PwC Approach: Minimal Data Systems support

PwC Timeframe: FY 1999

Lead Office: Public Disclosure

Participating Office: Data

Target Completion Date: Recommendation implemented in 1999 with all fourteen PCs dedicated to public use updated with Internet connections.

7. Engage in intraprogram and interprogram management-planning activities to improve resource utilization and to enable process efficiencies: Increased emphasis on management planning will support improvements in disclosure productivity. (4.2.9)

PwC Approach: Ongoing work with business process maps as a baseline

PwC Timeframe: FY 1999

Lead Offices: Staff Director and General Counsel

Participating Offices: All

Target Completion Date: Recommendation completed

FEC Progress: In response to this recommendation, the Staff Director and General Counsel established several working groups tasked with:

- Marketing electronic filing;
- Identifying reporting guidelines and practices which, if standardized, would improve efficiency and effectiveness of our disclosure operations;
- Identifying ways to reengineer the reports review process to take better advantage of information technology;
- Establishing Internet connections in Public Records so that the public can access the FEC Web Page;
- Reducing the number of legal reviews;
- Developing an annual descriptive offense profile of compliance matters;
- Implementing administrative fines—a new statutory provision;

- Implementing election-cycle reporting—new statutory provision;
- Establishing a Title 2 Audit-for-Cause Program.
Previously established working groups have continued to work on:
 - Implementing a Case Management System;
 - Implementing a Document Management System;
 - Developing a relational disclosure database;
 - Enhancing the FEC's Web site;
 - Modifying disclosure forms into a machine readable format;
 - Implementing Electronic Filing;
 - Expanding IT initiatives;
 - Developing an ADR program that will augment existing enforcement efforts; and
 - Overseeing Finance Committee matters.

8. Realign resources in Disclosure and in Data Systems coding and entry into a single disclosure process with one accountable manager: Consolidating the disclosure process from two divisions into one with a single manager will increase accountability and streamline disclosure process functions and resources. (4.2.4)

PwC Approach: Three months developing consolidation plan (\$50,000 for facilitation support)

PwC Timeframe: FY 2000

Lead Office: Public Disclosure

Participating Offices: Data

FEC Progress: In the past, the FEC tried a “unified approach” to disclosure, review and data coding and entry. The approach was unsuccessful. The Commission believes that the disclosure program and data entry and coding are working quite well. In fact, PricewaterhouseCoopers also found that the Commission completed its disclosure requirements in a timely manner.

9. Work with internal and external user groups to determine modernization requirements for the existing disclosure database: Beginning to assess internal and external user requirements will accelerate the move away from DB1032 to a relational database and thereby strengthen the disclosure and reports analysis processes. (4.2.8)

PwC Approach: Six months to design IT strategy (\$500,000 for database design support and acquisition)

PwC Timeframe: FY 2000

Lead Office: Data

Participating Offices: Audit, Press, Public Disclosure, and RAD

Target Completion Date: Recommendation completed March 2000

FEC Progress: The transition to a relational database is occurring in the following stages:

- The FEC issued a task order to AMS against a GSA contract for \$112,000 to complete the second phase of developing a client/server strategy for the disclosure function. The final client/server strategy report was delivered in March 2000. A contract to begin implementation was awarded in September 2000.

- The FEC and AMS consulted with both internal and external users during the functional requirements phase.
- Functional requirements for the new disclosure database are completed. The next phase, the design and initial data mapping to allow conversion of data from the existing database is underway. The design of the new disclosure database permits greater flexibility to search and retrieve information and to accommodate greater data capture and analysis capabilities.
- Data conversion programs and design of the data capture module were completed in September 2001 and are being tested. Conversion to the new disclosure database will be completed in March 2002.

10. Transition to a paperless disclosure and reports review process: During the transition period to an electronic filing environment, the FEC will need to support existing and new disclosure and reports review processes. For example, the Reports Analysis Division requires a business process reengineering (BPR) study to design an electronic reports review and exception reporting system. (3.3.10 and 4.2.3)

PwC Approach: Design and document requirements (\$500,000 for BPR study)

PwC Timeframe: FY 2001, with design/document phase completed in 6 months

Lead Offices: Public Disclosure and RAD

Participating Offices: Audit, Press and Data

Target Completion Date: Recommendation completed

FEC Progress: Although RAD is still working with the contractor, NIC, on small modifications to the current electronic review process, major modifications and additions to the program are being held in abeyance until the Commission's new client server system is in place. At that time, the review program will be expanded to provide automatic identification of disclosure and compliance problems. All data derived from electronically filed reports will be used to significantly alter the manner in which reports are reviewed and filers notified of those problems. The new system will also increase efficiency in the review of paper reports filed by committees. Many of the programs currently in use will be converted to the new system. The effect of this new system also provides RAD management with new and more effective tools with which to administer not only the review function, but also for the non-filer and administrative fines programs, as well. Once the new client server system is in place, it will take several months to complete programming, with the goal being that it will be fully functional for the 2003-2004 election cycle. This capability is also being enhanced by upgrades to the PCs in RAD by the end of the calendar year.

11. Prepare and maintain documentation supporting EPS (Enforcement Priority System) case-activation decisions: This step will increase the transparency and accountability of OGC case-activation decisions. (3.3.3) (See also: Improvement Opportunity 4-20.)

PwC Approach: Two months

PwC Timeframe: FY 1999

Lead Office: OGC Enforcement and OGC PFESP

Participating Offices: None

Target Completion Date: Recommendation completed April 1999
FEC Progress: The Office of General Counsel has completed implementation of this PwC recommendation. On April 27, 1999, the Commission approved lists of activation factors describing the reasons enforcement cases are activated by the Enforcement and Public Financing, Ethics, and Special Projects (“PFESP”) sections. The final versions of the activation factors were circulated to the Commission on May 3, 1999, and both Enforcement and PFESP have fully implemented these procedures.

12. Compile an annual descriptive offense profile of compliance matters to better inform Commissioners, policy makers, and the public about emerging law enforcement trends: To undertake this project, the FEC will need outside assistance from other Federal law enforcement statistics agencies and a contractor to design a database (in conjunction with the case management system) and to code closed cases. (3.3.4 and 4.3.3.6) (See also: Improvement Opportunities 3-2 and 4-22.)

PwC Approach: Eight months to research, design, automate, and code closed cases (\$250,000)

PwC Timeframe: FY 1999

Lead Office: OGC Enforcement and OGC PFESP

Participating Offices: OGC, Administration, Data, Information

Target Completion Date: 2002

FEC Progress: The Commission contracted with Booz/Allen & Hamilton to define the requirements for a comprehensive offense profile database. A working group, composed of representatives from OGC, Data, Planning and Management and Information, worked with Booz/Allen on this project. Booz/Allen submitted its requirements document to the Commission on February 22, 2000, containing alternative approaches to compilation of offense profile information. On April 11, 2000, the Commission approved one alternative with modifications and referred the Booz/Allen recommendations to OGC for implementation. Offense profile reports will be developed internally in 2002.

13. Convene an internal OGC working group to develop recommendations for consideration by the Commissioners to reduce the number of legal reviews embedded in the enforcement process: This effort will speed Commissioner consideration of enforcement case stages. (4.3.3.2) (See also: Improvement Opportunity 4-18.)

PwC Approach: Four months

PwC Timeframe: FY 2000

Lead Office: OGC Enforcement and OGC PFESP

Participating Offices: None

Target Completion Date: Recommendation completed February 2000

FEC Progress: The Levels of Review working group submitted a report to the Commission, which was discussed during the February 15, 2000, Executive Session. The Commission accepted the report and directed OGC to report back to the Commission regarding implementation, and to outline the specific issues it wanted addressed by the

Commission. OGC has implemented some of the working group recommendations and is in the process of identifying issues for Commission consideration.

14. Complete the case management system and use the workflow and staff utilization data to establish enforcement workload standards: After the system has tracked cases throughout FY 1999, a baseline set of metrics should guide the development of these standards. (4.3.3.6)

PwC Approach: Twelve months

PwC Timeframe: FY 2000

Lead Office: OGC

Participating Offices: Data, Planning and Management, Staff Director, and Commissioners' Offices

Target Completion Date: Phase I--February 2000; Complete—FY 2002

FEC Progress: OGC and the Commission Secretary continue to keep CMS current with case information and Commission votes. CMS is now in use throughout OGC and training of new employees is provided on an on-going basis.

- OGC has established procedures for regular verification of the data input into CMS and continues to develop materials to assist employees in enhancing the accuracy and verification of data.
- The Commission has entered into a contract with Ernst & Young to document OGC policies and procedures in the entry and verification of data entry into the CMS. Ernst & Young also is developing training materials. The Ernst & Young project is scheduled to be completed in October 2001, with implementation of the policies, procedures and training scheduled to be instituted in November 2001.

CMS system modifications are scheduled for completion by December 2001.

15. Assign dedicated resources to establish a single Title 2 audit-for-cause process in the Audit Division independent of Title 26 audit resource requirements:

Conducting a predetermined threshold number of audits for cause is necessary to enhance visibility in the filing community and to deter noncompliant activities. (4.3.2.4) (See also Improvement Opportunity 4-15.)

PwC Approach: Additional Audit Division personnel

PwC Timeframe: FY 2001

Lead Offices: Audit, OGC PFESP and Staff Director

Participating Offices: RAD, Public Disclosure, Data

Target Completion Date: Electronic Audit Workflow and Management System, 4th Quarter, 2001

FEC Progress: Audit internship program for Title 2 audits, 1st quarter, 2001
The Audit Division initially identified three approaches that would allow the agency to focus more resources on the Title 2 audit-for-cause program:

External Contracts for Convention-Related Entities. This option no longer appears to be a viable solution because of the high costs involved.

Temporary Peak Workload Assistance: Intern/Co-op Program. Recruitment of participants in an intern or coop program began during the first half of FY 2001. A complement of five interns assisted in the conduct of 19 audits during the May-September, 2001 timeframe. Benefits from this program exceeded expectations; several of the interns will be returning next fiscal year. Their contribution helped the Commission's Audit Division perform fieldwork on several authorized committees while at the same time being heavily involved in the mandatory audits of nominating conventions and presidential candidates.

Use of Risk Analysis and Other Resource-Saving Methodologies. With assistance from the Data Division, the Audit Division has finalized a contract for a Requirements Analysis and Cost Benefit Study to identify the requirements of an electronic audit workflow and management process. Implementation will occur during the fourth quarter of 2001. At the same time, a procedure was put into place to focus resources on those subject areas in each authorized committee audit that have the highest risk of non-compliance. Of the 19 audits that were conducted on participants in the 2000 election cycle, 9 were limited in scope.

Conclusion. Given the implementation status of the approaches/modifications (not including contracting out convention audits) discussed above, the FEC expects to significantly increase the number of Title 2 audits covering the 2000 election cycle. The number of audits conducted of authorized committees is 19 (16 House audits and 3 Senate audits).¹ The estimated number of non-authorized committee audits is 21, for a total of 40 audits for that cycle. In contrast, over the 1992 through 1996 election cycles an average of 9 authorized and 12 non-authorized committees were audited. While we increased the Title 2 audits in the 1998 cycle, the 2000 cycle represents the first time the FEC has a true "stand alone" Title 2 audit capability that will not lose most of its resources to the statutory Title 26 audits during presidential election cycles. House and Senate audits were commenced within 6 months of the general election unless the auditee requested a postponement. Further, all of the House and Senate audits would be publicly released within one year of commencement, unless the compulsory process had to be employed. The 2-year deadline on release of Title 26 audit reports would continue to be met.

The OGC PFESP section reviewed the Title 2 audit process and the Enforcement Priority System (EPS) II, with special emphasis on processing Title 2 audit referrals. On May 10, 2000, the Commission approved OGC PFESP recommendations with respect to draft revisions to EPS II.

16. Select a permanent Staff Director tasked to improve overall organizational performance: The FEC now has the opportunity to select a permanent Staff Director who can help renew the organization. FEC Commissioners should consider retaining an executive-recruiting firm to validate the candidate list for their consideration. (3.3.6)

PwC Approach: Two months to identify candidates (\$50,000 for candidate validation)

¹ These numbers represent 5 percent of all House and Senate seats up for election in the 2000 election cycle.

PwC Timeframe: FY 1999
FEC Progress: Recommendation implemented April 1999

17. Establish annual performance objectives for the Staff Director and the General Counsel: To establish and maintain organizational accountability, Commissioners need to communicate desired organizational achievements to both statutory officers and delegate authority to execute tasks. (3.3.6)

PwC Approach: Three months to establish performance criteria
PwC Timeframe: FY 1999
Lead Office: Commissioners
Participating Offices: Staff Director, General Counsel and Personnel

FEC Progress: The Commission hired a new General Counsel on September 17, 2001; a new Staff Director was appointed in April of 1999. The FEC Finance Committee requested that the Staff Director study and report back with compensatory and non-compensatory steps the Commission can take to retain and reward valuable employees. Part of the study will address whether the Senior Executive Service (SES) is a viable option for the pay and performance measurement for its senior management.

18. Encourage more collaboration and communication among existing work groups: The Staff Director should convene regularly scheduled meetings to increase cross-divisional communication and collaboration and to review management information system performance data. (3.3.5)

PwC Approach: Minimal
PwC Timetable: FY 1999
Lead Offices: Staff Director and General Counsel
FEC Progress: Recommendation implemented. For more information, see Recommendation # 7 and other specific PwC recommendations.

19. Develop a new performance appraisal process for managers: A pilot project should be initiated, using an upward feedback system, to ensure that FEC managers have put into practice those behaviors that foster communication and ownership of problems and reward innovation. (3.3.7)

PwC Approach: Six months to research, develop, and administer pilot survey (\$50,000)
PwC Timetable: FY 1999
Lead Office: Personnel
Participating Offices: All
FEC Progress: See Recommendation #17.

20. Explore alternatives to the Federal General Service classification system: Alternatives to the current use of the Federal GS classification system should be explored

as a means to increase promotional opportunities and provide a more flexible compensation system. (3.3.11)

PwC Approach: Four months to research and investigate options, with OPM support

PwC Timetable: FY 1999

Lead Office: Personnel

Participating Offices: All

FEC Progress: The FEC has various pay options currently available to it under Title 5 compensation laws. Staff have explored alternatives to the status quo such as broad-banding. For now, it appears that greater utilization of the available pay flexibilities under Title 5 (e.g., appointment above the minimum step, redesigning positions to support a higher career ladder grade) has improved our recruitment. In addition, the Personnel Office has investigated the effectiveness of broad-banding by contacting other public agencies who have implemented broad-banding. The Department of Defense, CIA and the State of South Carolina all have implemented some form of a broad-banding pay system. Each of these organization's reports that costs of broad-banding significantly exceeded their expectations. A broad-banding system requires a strong performance management measuring system in order to determine pay increases fairly. Initially most employees indicated general satisfaction with the pay banded system. However, as these three agencies incorporated more financial controls in order to curb costs, employee satisfaction with the banded system, dropped. If the Commission were to decide to adopt another method of determining pay for its employees, any changes would require legislative action.

21. Conduct customer satisfaction surveys after an election cycle to understand expectations and measure changes in filer satisfaction with the products and services provided by the FEC: Using the baseline findings provided in this report, regular surveys will allow FEC to discontinue services that have diminishing value, to better understand the needs of the filing community, and to better deploy FEC resources. (3.3.3)

PwC Approach: \$75,000 each election cycle

PwC Timetable: FY 2001

Lead Office: Information

Participating Offices: Public Records, RAD, Press, OGC Administration, Data and Planning & Management

Target Completion Date: 4th Quarter 2001

FEC Progress: The Commission is exploring the possibility of contracting this survey out.

Improvement Opportunities

Improvement Opportunity 3-7: The FEC should create a more open and proactive problem-solving environment for doing business.

This and several of the following Improvement Opportunities parallel a number of the recommendations described above (see, for example, recommendations 7, 9, 16, 18 and 21).

Improvement Opportunity 3-9: The Data Division should routinely conduct an internal FEC staff survey to assess user satisfaction.

Lead Office: Data

Participating Offices: All

FEC Progress: A user survey will be conducted in FY 2002.

Improvement Opportunity 3-10: FY 2000 is the time for the FEC to begin to lay the framework for significant business process reengineering efforts. Future and ongoing ADP initiatives should incorporate a business process reengineering effort led by the program offices, not DSDD.

Lead Office: Data

Participating Offices: All

FEC Progress: See Recommendation # 10.

Improvement Opportunity 4-1: FEC should redesign a disclosure database that supports internal staff needs, as well as the public's needs.

FEC Progress: This is a fundamental element in the design of the client/server disclosure database. (See Recommendation #9.)

Improvement Opportunity 4-3: FEC should set up Internet connections on several PCs in the Public Records Division. The Internet could be used to access other campaign finance databases and Web sites on third-party information providers.

Lead Office: Data

FEC Progress: This effort was completed in July 1999 when DSDD configured all of the PC's in Public Records so that the public could access other campaign finance Web sites.

Improvement Opportunity 4-4: The Processing Branch should support all imaging needs throughout the Commission. Processing staff could work with the Office of the General Counsel to assist that Office with its imaging needs.

Lead Office: Public Disclosure

Participating Offices: Data

Target Completion Date: FY 2002

FEC Progress: The Commission issued to AMS a contract for the development of a comprehensive document management system, including replacement of the imaging system, that will significantly expand the use of imaging technologies throughout the Commission. The system is scheduled for implementation in FY 2002.

Improvement Opportunity 4-5: Once the Commission has a certain date for mandatory electronic filing, RAD should begin to work with Data Systems to develop an automated, paperless review process to replace the existing manual, paper-intensive reviews.

FEC Progress: Since August 2001, RAD has been using the latest upgrade to the automated review program. The program currently has the capability to conduct math checks within a report and some comparisons with data on a previous report. It also

has some sorting and ordering capability for data within the report. The design and implementation of a significantly more robust system is pending the completion of the Commission's client server system. It is anticipated that the automated review will be implemented for the 2003-2004 election cycle. (See Recommendation #10.)

Improvement Opportunity 4-6: Realign resources in the Disclosure and Data Systems Divisions to enable a more unified approach to disclosure. FEC should establish a single office for disclosure creating the public record (from start to finish), as well as FEC compliance with the 48-hour rule.

FEC Progress: See Recommendation # 8.

Improvement Opportunity 4-8: In the event that mandatory electronic filing seems unlikely in the foreseeable future, the FEC should explore alternate plans to the EFS that would optimize its existing investment in imaging technology by integrating compatible technologies such as optical character recognition (OCR), bar codes and workflow software.

FEC Progress: See Recommendations #1, #5, #10, and Other Project #8.

Improvement Opportunity 4-10: The FEC should continue to solicit input from both filers and internal staff regarding necessary enhancements to the electronic filing system.

Lead Office: Data

Participating Offices: None

FEC Progress: Mandatory electronic filing was implemented beginning with the monthly reports due on February 20, 2001. RAD was integral in the development of the electronic filing system. The Commission continues to maintain extensive contact with filers and software vendors. Training programs are conducted for both internal and external users, testing facilities have been upgraded, and outreach efforts including presentations at meetings attended by committee officials are ongoing.

Improvement Opportunity 4-15: Continue to calibrate the RAD referral thresholds with OGC Enforcement Section civil penalty guidelines so that RAD referrals to OGC result in conciliation agreements with monetary penalties.

Lead Offices: RAD, OGC Enforcement and OGC PFESP

Participating Office: Audit

FEC Progress: See Recommendation #15.

Improvement Opportunity 4-16: To increase the level of detection of patterns of improper campaign finance practices, RAD should initiate a data-mining and contributor-collaboration software pilot to assess the degree to which "financial" transaction violations can be identified.

Lead Office: RAD

Participating Office: Data

FEC Progress: Automation of RAD report review will be expanded in FY 2002 and FY 2003. In addition, improved search and analysis capabilities are being built into the new disclosure database. Data mining will be developed in FY 2003. (See Recommendations # 9 and #10.)

Improvement Opportunity 4-20: Development efforts should be initiated by OGC to define additional scoring criteria that estimate resource allocation by tier of case.

Lead Office: OGC Enforcement and OGC PFESP

Participating Offices: None

FEC Progress: The Office of General Counsel anticipates considering this proposal once the NTEU and Management have concluded negotiations over enhancements to the case management system. (See Recommendation #14.)

Other Projects

1. Transfer payroll and personnel systems to the National Finance Center.

Lead Office: Accounting

Participating Offices: Accounting, Personnel, Data

Target Completion Date: Project completed November 1999

FEC Progress: The FEC has completed the process of migrating both its Personnel and Payroll systems to the USDA's National Finance Center (NFC).

2. Year 2000 Remediation Effort

Lead Office: Data

Participating Offices: All Divisions

Target Completion Date: Project completed December 1999

FEC Progress: A complete end-to-end test of all systems was performed, and successfully completed on December 17, 1999. On January 1, 2000, the FEC Y2K Project Work Group and supporting staff, conducted actual data rollover checks and all systems operated with no problems. The Y2K Day-One After Action Report was completed on January 13, 2000.

3. Conduct computer security review.

Lead Office: Data

Participating Offices: Data

Target Completion Date: Project completed March 2000

FEC Progress: Utilizing GSA's MOBIS schedule, the FEC placed a task order with Booz-Allen to conduct a complete computer security review. The order involved a review of all facets of computer security, including internal controls, physical access, unauthorized software, computer viruses, network infrastructure and review of local area network as required by OMB Circular A-130. The FEC in conjunction with Booz-Allen developed the following reports: Information Technology Security – Program Plan, in October 1999; Report of a Risk Assessment of the FEC Network, November 1999; Local Area Network System Security Plan, March 2000; Network Security Penetration Test Results, February 2000. The Network Security Penetration Test Results delivered in February 2000 were the result of a penetration test conducted from January 17, 2000 to February 1, 2000. In FY 2001 the FEC began to fortify areas that Booz-Allen identified during the penetration test in January 2000. The Data Division developed and completed a Commission-wide training program in September 2001. Computer security

is integral to the IT infrastructure, and reviews, risk assessments, with proactive measures being taken, will be ongoing.

4. Enhance FEC Web site.

Lead Office: Data

Participating Offices: Virtually all

Target Completion Date: Project completed December 1999

FEC Progress: The redesigned FEC Web site was launched in December, 1999 and has been widely regarded as a significant improvement in organization and presentation of material.

On January 31, 2000, the Commission began posting agendas and agenda documents for open Commission meetings, as well as Advisory Opinion Requests and correspondence related to pending Advisory Opinions, on the Web site. In addition, the FEC is also posting rulemaking documents on its website, including proposed rules and comments thereon, final rules, explanations and justifications for final rules, and petitions for rulemaking.

Actions undertaken to enhance the disclosure data available via the Web site are ongoing. The capability to view and print reports filed since May 15, 2000, by U.S. Senate campaigns was added to the Web site in September 2000. Other additions include the posting of summary statistical information about candidates, PACs and political party committees and more efficient options for users to print copies of disclosure reports.

In October 2000, the Web site services were expanded to allow the filing of 48-Hour Contribution Notices (last-minute notices of contributions of \$1,000 or more received in the twenty days prior to an election) via the Internet. Those filers required to file 48-Hour Contribution Notices in connection with the November 2000 General Election immediately benefitted from the addition of this capability.

5. Implement Document Management System in OGC (PCDocs).

Lead Office: OGC

Participating Offices: Data, Commissioners' Offices

Target Completion Date: March 2002

FEC Progress: OGC PFESP was selected as the pilot group for implementing this project. The requirements analysis was completed in March 2000, and the draft design was submitted in July 2000, with implementation scheduled to begin in September 2001. Testing will occur during October 2001 with installation and training for the remainder of OGC scheduled for December 2001 through February 2002. Completion of the project is expected March 2002.

6. Implement Document and Tracking System in Audit (TeamMate).

Lead Office: Audit

Participating Offices: Audit and Data

Target Completion Date: December 2001

FEC Progress: PwC was selected to conduct a requirements analysis of the audit work process. Specifically, the vendor identified a system to optimize the audit workflow process, provide electronic work papers and track audits. The final report was delivered

to the FEC in March 2000. Acquisition of “TeamMate,” a COTS product, was made in FY 2001; staff is currently being trained on the system. The implementation of the electronic audit workflow and management process is scheduled for completion in the fourth quarter of 2001.

7. Expand imaging process to include materials other than campaign finance reports.

FEC Progress: See Improvement Opportunity 4-4.

8. Conduct feasibility study of Optical Scanning Recognition and Bar Code technology.

Lead Office: Data

Target Completion Date: FY 2004

FEC Progress: One element of the Commission-wide document management system will be to review the feasibility of optical scanning recognition and bar code technology. The agency will plan to conduct a Cost/Benefit Analysis in FY2003, to determine the feasibility of using OCR technologies to address the requirement of converting non-electronically filed financial reports to an electronic format. Depending on the outcome of this study, the design and development of OCR technologies is planned for FY2003 and FY2004.

9. Contract for IT services and data entry support services.

Lead Office: Data

Participating Offices: None

Target Completion Date: Project completed August 1999

FEC Progress: A contract for data entry support services was awarded in FY 1999.

10. Renovate building.

Lead Office: Administration, Planning and Management

Participating Offices: All

Target Completion Date: Project completed in December 2000

11. Expand the 2 U.S.C.§437(g) field audit program.

Lead Office: OGC

Participating Offices: Audit, RAD, Public Disclosure, Staff Director, Commissioners’ Offices

Target Completion Date:

FEC Progress: On September 14, 1999, the Commission authorized a task force to focus on the Title 2 audit process and on ways to expand the use of audits in the Commission’s enforcement process. The task force includes representatives from the Commissioners’ offices, the Staff Director’s office, Audit Division, OGC, RAD, Public Disclosure and Data. (See Recommendation #15)

12. Alternative Dispute Resolution (ADR) Pilot Program.**Lead Office:** OGC**Participating Offices:** Staff Director, Commissioners' Offices**Target Completion Date:** October 2000

FEC Progress: In December of 1999, the Federal Mediation and Conciliation Service (FMCS) presented the Commission with a final ADR design report, including findings and recommendations. The Commission accepted the report and approved the concept of an ADR pilot program. In addition to the FMSC report, OGC developed case selection criteria to assist in defining the scope of the ADR project. As a result of the December meeting, the Commission directed the Staff Director, in conjunction with OGC, to draft a proposal to implement the ADR program and to issue a vacancy announcement for the Director, Office of ADR. In May of 2000, a Director of the Office of ADR was selected; this individual reports to the Staff Director and is responsible for developing and implementing the ADR program. During the following months, the ADR Director, working with OGC, made a formal proposal to the Commission containing the details of the ADR pilot program. On July 25, 2000, the Commission approved the proposal. The project began October 1, 2000. As of September 1, 2001, the ADR Office concluded thirty-four (34) agreements based on nineteen (19) complaints, audit referrals and cases filed with the Commission. Settlements were obtained in an average of 86 days from the time matters were referred to the ADR office. Civil penalties from the thirty-four agreements totaled approximately \$30,367. Other terms of settlement included requiring respondents to attend FEC sponsored seminars, adopt and distribute corporate policy to advise personnel of the prohibition against corporate contributions to federal campaigns, and dismissing complaints against other respondents due to charges determined to be unsubstantiated.

13. Determine effect of projected shortage in Presidential public funding program.**14. Integration of Macintosh Publishing Program Into Commission-Wide Server-Based Computer System****Lead Office:** Data**Participating Offices:** Information Division, Administrative Division**Target Completion Date:** Project completed February 2000

FEC Progress: A server was installed to exclusively handle all work related to FEC publications produced on the Macintosh. Implementation increased the efficiency and productivity of the agency's publications program.

15. Waiver of State Filing Requirements.**Lead Office:** Public Records**Participating Offices:** RAD, Data, Information, OGC Policy**Target Completion Date:** Project completed March 2000

FEC Progress: In 1995, Congress enacted 2 U.S.C. §439(c), which exempts states from receiving and maintaining copies of federal campaign finance reports provided that the state, “as determined by the Commission, has a system that permits electronic access to, and duplication of, reports and statements that are filed with the Commission.”

On October 14, 1999, the Commission formally approved a program to provide state offices with a method that ensures public Internet access to the Commission’s web site to view and copy the federal campaign finance disclosure reports. In addition to implementing the statutory provisions of 2 U.S.C. 439(c), the program: (1) relieves state offices of filing and maintenance burdens and committees of duplicative state filing; and (2) maintains or increases the level of disclosure available at the state offices.

The Commission transmitted final rules to Congress to implement this program on March 17, 2000, and following the required legislative review period, the new rules took effect on June 7, 2000. To date, 48 states or comparable jurisdictions have responded positively to participating in the program and have been granted a state filing waiver by the Commission. Of that total, 35 states accepted the Commission’s offer of free computer equipment and/or Internet connections to facilitate their participation in the program.

16. Review Operation of Commission Secretariat.

Lead Office: Commission Secretary

Target Completion Date: Project completed March 2000

FEC Progress: A report was submitted to the Staff Director in January 2000 by PricewaterhouseCoopers. The report compared operations of the Commission Secretariat with operations of the Secretariats of several similar Federal agencies. Since no significant findings were cited, significant changes in that office do not appear to be warranted. Nonetheless, since the PwC report, several improvements in this office have been implemented, such as the computer-based Commissioner Research Database which provides easier search capability regarding Commission votes.