



SEMIANNUAL REPORT TO CONGRESS
OCTOBER 1, 2007 – MARCH 31, 2008

MAY 2008

Federal Election Commission - Office of Inspector General
999 E Street, N.W. Suite 940, Washington, D.C. 20463



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

OFFICE OF THE CHAIRMAN

May 22, 2008

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

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. The report summarizes the FEC's Inspector General's activity from October 1, 2007 through March 31, 2008. During this reporting period, the FEC's Inspector General completed the annual audit of the FEC's financial statements and completed a performance audit of privacy and data protection. The Inspector General did not issue any reports that identified questioned costs or recommended that funds be put to better use.

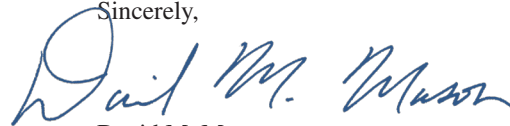
The audit of the FEC's financial statements resulted in an unqualified (clean) opinion on the required statements: the FEC's Balance Sheet, Statement of Net Costs, Statement of Changes in Net Position, Statement of Budgetary Resources, and Statement of Custodial Activity. The audit also found no instances of non-compliance with applicable laws and regulations. However, the auditors observed one material weakness in the area of an integrated financial management system and one significant deficiency in information technology (IT) security. FEC management is committed to resolving the issues noted and has entered an agreement with an OMB-certified Line of Business provider for financial services. With regard to IT, management appreciates the comments and recommendations on IT security issues. The FEC has developed a corrective action plan to address the weaknesses identified in the audit.

An audit of the FEC's privacy and data protection practices resulted in seven findings. In response to the audit and with input from the Inspector General, FEC management promptly developed a corrective action plan to implement the audit recommendations.

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 the FEC's oversight committees.

Sincerely,

A handwritten signature in blue ink that reads "David M. Mason". The signature is written in a cursive style with a large, looped initial "D".

David M. Mason
Chairman

Enclosure

MANAGEMENT REPORT ON FINAL ACTION
ON AUDITS WITH QUESTIONED COSTS
FOR THE SIX-MONTH PERIOD ENDING MARCH 30, 2008

	Number of Audit Reports	Questioned Costs	Unsupported Costs
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]

MANAGEMENT REPORT ON FINAL ACTION
ON AUDITS WITH RECOMMENDATION TO PUT FUNDS TO BETTER USE
FOR THE SIX-MONTH PERIOD ENDING MARCH 30, 2008

	Number of Audit Reports	Funds to be Put to Better Use
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



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463
OFFICE OF THE INSPECTOR GENERAL

A Message from the Inspector General

I would like to congratulate the staff of the Office of Inspector General for a very successful semiannual period. During this time, the OIG completed and released the *Audit of the Federal Election Commission's Fiscal Year 2007 Financial Statements*, the *2007 Performance Audit of Privacy and Data Protection*, completed a peer review of another OIG and had a peer review conducted on our audit function. I am pleased to state that the Office of Inspector General received an unqualified (clean) opinion on our audit function. We also responded to numerous requests from FEC management for input into new agency policies and procedures.

During earlier semiannuals, I had expressed my concern over the lack of additional resources for the OIG. The FEC budget for 2009 contained a request for two additional staff for the office, and as a consequence of agency salary lapse, we are in the process of filling those two positions this fiscal year. These two additional positions will add much needed assistance to the OIG and I am very pleased we can fill them this fiscal year.

In conjunction with our audit of the FEC's privacy and data protection function, the OIG facilitated a presentation with the agency's Commissioners and executive management team and the contractor who conducted the audit. This was the initial step to educate the senior leaders of the agency on the importance of having a governance structure in place, setting the appropriate tone at the top, and the vital role internal controls play in all aspects of agency management. We look forward to continuing this discussion with the agency.

A handwritten signature in blue ink that reads "Lynne A. McFarland".

Lynne A. McFarland
Inspector General
Federal Election Commission

April 30, 2008

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TABLE OF CONTENTS

Executive Summary	1
The Federal Election Commission	3
Office of Inspector General	4
OIG Audit Activity	
Audit of the Federal Election Commission's Fiscal Year 2007 Financial Statements	5
2007 Performance Audit of Privacy and Data Protection	7
OIG Hotline Information	9
OIG Investigations	10
Additional OIG Activity	11
ECIE and PCIE Activity	13
Reporting Requirements	14
Table I – Inspector General Issued Reports With Questioned Costs	15
Table II – Inspector General Issued Reports With Recommendations That Funds Be Put To Better Use	16
Table III – Summary Of Audit Reports With Corrective Actions Outstanding For More Than Six Months	17
OIG Strategic Plan - Fiscal Years 2005 – 2010	18
OIG Contacts	19
List of Training, Meetings and Conferences	20
Contacting the Office of Inspector General	(inside back cover)

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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* was completed and released November, 2007. Under a contract supervised by the OIG, the independent certified public accounting firm Clifton Gunderson LLP (CG-LLP) performed the audit of the FEC's FY 2007 financial statements. The OIG was responsible for 1) reviewing the auditor's 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 CG-LLP report concluded that the FEC's financial statements present fairly, in all material respects,

the financial position of the FEC as of September 30, 2007 and 2006, and its net cost, changes in net position, budgetary resources, and custodial activity for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In the Independent Auditor's Report dated November 7, 2006, CG-LLP expressed a qualified opinion on the FY 2006 statement of net cost because they were not able to obtain sufficient competent audit evidence to support the FEC's allocation of program costs. Since the FEC has changed the presentation of program costs in its statement of net cost, the present opinion on the FY 2006 financial statements is different from that expressed in the previous report (for more information see the section entitled OIG Audit Activity located on page 5).

The OIG also completed and released the *2007 Performance Audit of Privacy and Data Protection – OIG-07-02, December 2007*. On December 8, 2005, the President signed the *Transportation, Treasury, Independent Agencies and General Government Appropriations Act, 2005*. This annual appropriations law contained a new section, Division H, Title V, § 522 relating to privacy controls of certain Federal agencies.

Section 522 requires certain agencies to assign a Chief Privacy Officer (CPO) who is responsible for identifying and safeguarding personally identifiable information (PII). Section 522 also requires an independent third-party review, contracted by the OIG, of agency use of PII and of its privacy and data protection policies and procedures at least every two years. The OIG selected Cotton & Company as the independent contractor to conduct a performance audit of privacy and data protection policies and procedures and, specifically, to determine if the FEC

is complying with section 522 of the *Consolidated Appropriations Act, 2005*.

The audit resulted in seven findings – the final report was published on the OIG Web page on December 7, 2007 (for more information see the section entitled OIG Audit Activity located on page 7).

The OIG conducts audits in accordance with generally accepted government auditing standards (GAGAS). Audit organizations conducting audits in accordance with GAGAS are required to have an independent peer review every three years. This year the FEC OIG was required to have a peer review conducted on its audit operations. The Appalachian Regional Commission (ARC) Office of Inspector General conducted a peer review on the FEC OIG. An entrance conference was held and the majority of the fieldwork was conducted at the FEC. The final report was provided to the OIG on March 28, 2008 and contained an unqualified (clean) opinion (for more information see the section entitled Additional OIG Activity, page 11).

The OIG received a letter from The Honorable Henry A. Waxman, U.S. House of Representatives, requesting a list of recommendations, made by the OIG from January 1, 2001 to present, that have not been implemented by Congress or agency officials. The OIG provided Representative Waxman with a list of outstanding recommendations from 2006 to present as the FEC has implemented all recommendations made prior to 2006 (for more information see the section entitled Additional OIG Activity, page 12).


Due to potential passage of legislation affecting the Inspector General community, the PCIE and the ECIE formed a committee composed of four IGs from the PCIE and four IGs from the ECIE to assist

in the transition and to decide what steps need to be taken by the community if a bill passes. The FEC IG is an ECIE representative to the transition committee. During the last several months, the committee met four times to discuss issues related to combining the two IG councils. Additional information pertaining to the IG's involvement in the ECIE and PCIE activities can be found in the section entitled ECIE and PCIE Activity, page 13.

In response to a Federal Acquisition Regulation (FAR) requirement to increase fraud awareness at federal agencies, the OIG created a fraud hotline poster. The purpose of the OIG fraud hotline poster is to provide an increased awareness to FEC employees and contractors on fraud awareness and how to report fraud, waste, abuse and mismanagement to the OIG (for more information see the section entitled OIG Hotline Information, page 9).

As this reporting period comes to a close, the OIG had 10 hotline complaints at various stages. In addition, management informed the OIG that action had been taken against an employee based on information provided in a previous OIG investigation (for more information pertaining to the hotline issues, see the section entitled OIG Hotline Information located on page 9; for more information on the investigation see the section entitled OIG Investigations located on page 10).

THE FEDERAL ELECTION COMMISSION



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

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

OFFICE OF INSPECTOR GENERAL

The *Inspector General Act of 1978* (P.L. 100-504), as amended, 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

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

Assignment Number: OIG – 07-01

Status: Released November, 2007

<http://www.fec.gov/fecig/financial07.pdf>

Financial audits provide assurance as to whether the agency's financial statements fairly present the financial position of the agency's programs and costs of operations. In addition, the financial statement audit reports on the internal controls that support accurate financial reporting and compliance with applicable laws and regulation.

In accordance with the *Accountability of Tax Dollars Act of 2002*, the FEC prepared financial statements for the 2007 fiscal year in accordance with Office of Management and Budget (OMB) Circular No. A-136, *Financial Reporting Requirements*. The *Chief Financial Officers Act of 1990* (Public Law 101-576, commonly referred to as the "CFO Act"), as amended, requires the FEC IG, or an independent external auditor selected by the Inspector General, to audit the agency financial statements.

Under a contract supervised by the OIG, the independent certified public accounting firm Clifton Gunderson LLP (CG-LLP) performed the audit of the FEC's FY 2007 financial statements. The OIG was responsible for 1) reviewing the auditor's 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 audit included an examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements. The audit also included assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall principal statements' presentation.

The CG-LLP report concluded that the FEC's financial statements present fairly, in all material respects, the financial position of the FEC as of September 30, 2007 and 2006, and its net cost, changes in net position, budgetary resources, and custodial activity for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In the Independent Auditor's Report dated November 7, 2006, CG-LLP expressed a qualified opinion on the FY 2006 statement of net cost because they were not able to obtain sufficient competent audit evidence to support the FEC's allocation of program costs. Since the FEC has changed the presentation of program costs in its statement of net cost, the present opinion on the FY 2006 financial statements is different from that expressed in the previous report.

Report on Internal Control

CG-LLP's planning and performance of the audit included consideration of the FEC's internal control over financial reporting as a basis for designing audit procedures for the purpose of expressing an opinion on the financial statements and to comply with OMB Bulletin 07-04. The auditors did not test all internal controls relevant to operating effectiveness,

such as those controls relevant to ensuring efficient operations and consequently CG-LLP did not express an opinion on the agency's internal control over financial reporting.

The American Institute of Certified Public Accountants (AICPA) established standards on communicating deficiencies related to an entity's internal control over financial reporting identified by the auditors. As defined by the AICPA, a control deficiency exists when the design or operation of a control does not allow the agency's management or its employees, in the normal course of performing their assigned duties, to prevent or detect misstatements on a timely basis.

Auditors determine whether an internal control deficiency is a significant deficiency or a material weakness based on the factors of likelihood and magnitude. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the agency's ability to initiate, authorize, record, process, or report financial data reliability in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the agency's financial statements that is more than inconsequential will not be prevented or detected by the agency's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the agency's internal controls.

CG-LLP identified a material weakness in the area of:

- Integrated Financial Management System

CG-LLP identified a significant deficiency in the area of:

- Information Technology (IT)

effect on the determination of financial statement amounts, and certain laws and regulations specified in OMB Bulletin No. 07-04, such as the *Anti-Deficiency Act* and the *Prompt Payment Act*.

The results of CG-LLP's tests of compliance with laws and regulations described in the audit report disclosed no instances of noncompliance with the laws and regulations that are required to be reported under Government Auditing Standards and OMB Bulletin No. 07-04.

Report on Compliance and Other Matters

FEC management is responsible for complying with laws and regulations applicable to the agency. To obtain reasonable assurance about whether FEC's financial statements are free of material misstatements, CG-LLP performed tests of compliance with certain provisions of laws and regulations, non-compliance with which could have a direct and material

2007 Performance Audit of Privacy and Data Protection

Assignment Number: OIG – 07-02

Status: Released December, 2007

<http://www.fec.gov/fecig/2007Privacy.pdf>

On December 8, 2005, the President signed the *Transportation, Treasury, Independent Agencies and General Government Appropriations Act, 2005*. This annual appropriations law contained a new section, Division H, Title V, §522 relating to privacy controls of certain Federal agencies.

Section 522 requires certain agencies to assign a Chief Privacy Officer (CPO) who is responsible for identifying and safeguarding personally identifiable information (PII). Section 522 also requires an independent third-party review, contracted by the OIG, of agency use of PII and of its privacy and data protection policies and procedures at least every two years. The OIG surveyed the PCIE and ECIE community to determine how many agencies were required to conduct a 522 Privacy audit and whether the audit had been completed. Based on the results, the OIG contacted the affirming offices to determine who performed the review and, where possible, obtained a copy of the statement of work or scope and the resulting report. The survey results were compiled and provided to all ECIE and PCIE offices as feedback.

In order to plan for the audit, the OIG attended several meetings with FEC officials to gain an understanding of whether privacy controls were in existence and working effectively at the FEC. The meetings included discussions about whether draft policies and procedures would be progressed to final before the auditors began audit fieldwork. Following the meetings, the OIG formulated an audit methodology and statement of work that enabled the OIG to evaluate proposals to select an independent public accounting firm to conduct the audit.

The OIG selected Cotton & Company as the independent contractor to conduct a performance audit of privacy and data protection policies and procedures and, specifically, to determine if the FEC is

complying with Section 522 of the *Consolidated Appropriations Act, 2005*. An OIG meeting was held with Cotton & Company representatives to discuss general FEC working arrangements and to provide the background information such as the Privacy Report submitted to the OIG in February 2007. A formal entrance conference with key FEC personnel responsible for privacy activities within the Commission was held September 28, 2007.

The audit involved the use of an electronic survey to determine the extent of privacy awareness among FEC staff and the types of systems, both manual and electronic, which might be subject to System of Records Notification (SORN) publication in the Federal Register and/or require physical or electronic controls to protect data privacy. Further, an after hours walkthrough of FEC business areas was conducted by the OIG and Cotton & Company to determine whether physical records containing PII were adequately secured.

A number of records containing PII were not adequately secured and the OIG contacted two FEC business areas to relay the results of the walkthrough and recommended immediate corrective action to secure PII.


Throughout the audit, the contractor provided weekly status reports which were reviewed by the OIG and forwarded to FEC management. The reports detailed audit activities, planned activities for the coming week, outstanding audit requests, and draft findings. Further, Cotton & Company held a mid-audit status meeting with both the OIG and FEC management. The contractor provided written notification of findings and recommendations (NFRs) and conducted a formal meeting to discuss the draft findings. Cotton & Company solicited comments, pertaining to the draft findings, from the OIG and FEC management.

Cotton & Company held an exit conference to discuss the draft report which included FEC management responses to the findings. The final report was published on the OIG Web page on December 7, 2007 in accordance with the original audit schedule. The audit resulted in seven findings, two of which did not have management concurrence.

As part of the OIG's audit contract with Cotton & Company, and to further expand on the findings and recommendations contained in the report, Cotton & Company conducted a post audit presentation with FEC officials. The OIG coordinated a management briefing which included the Commissioners, Staff Director, General Counsel and Chief Financial Officer. While the OIG initially planned for the contractor to discuss the audit report, the presentation was expanded to a high-level discussion of public and private sector control frameworks.

On January 15, 2008, the OIG received a draft corrective action plan (CAP) from management. The OIG provided management with detailed written comments on February 1, 2008. The OIG received a revised CAP on March 21, 2008.

OIG HOTLINE INFORMATION



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.

In response to a Federal Acquisition Regulation (FAR) requirement to increase fraud awareness at federal agencies, the OIG created a fraud hotline poster. The purpose of the OIG fraud hotline poster is to provide an increased awareness to FEC employees and contractors on fraud awareness and how to report fraud, waste, abuse and mismanagement to the OIG. Meetings were held with the FEC's Contracting Officer and the lead Information Technology Division manager responsible for ITD contracts to discuss the placement of the poster throughout the FEC building, to include workspace occupied by FEC contractors. In addition to placement of the poster throughout the building, the electronic version of the hotline poster will be posted on the OIG's website and available for download.

During the reporting period of October 1, 2007 through March 31, 2008, the OIG had a total of 10 hotline complaints at different stages – 8 are pending; 2 are in progress.

OIG INVESTIGATIONS

The OIG previously reported on a closed investigation involving allegations of misconduct by several former senior management officials. In the OIG's semiannual report to Congress for the period ending September 2006, the OIG reported on the closure of the investigation that involved various allegations of misconduct, to include a violation of a criminal conflict of interest. As previously reported, in September 2006, the U.S. Attorney's Office for the District of Columbia ultimately declined to prosecute the primary subject of the investigation. Except for one employee, all of the subjects of the investigation retired, separated, or were terminated from the agency.

During the current semiannual period, management informed the OIG that action had been taken concerning the remaining employee. With the exception of a planned OIG follow-up to ensure administrative improvements occurred related to the FEC's equal employment opportunity and internal control programs, the OIG considers the matter closed.

Currently the OIG has one investigation open.

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 OIG engaged in an array of activities during the past six months – following are examples of those additional activities:

- Inspectors General conduct audits in accordance with generally accepted government auditing standards (GAGAS). Audit organizations conducting audits in accordance with GAGAS are required to have an independent peer review every three years. The OIG completed the peer review of the Federal Housing Finance Board (FHFB). The objective of the peer review program is to ensure an audit organization's internal quality control system adequately provides reasonable assurance that applicable auditing standards, policies, and procedures are being followed. The OIG contacted the FHFB to obtain their most recent semiannual reports to assess the volume of audits selectable for peer review. An entrance meeting was held and fieldwork was initiated.

The fieldwork was conducted using a remote log-in to the FHFB Teammate audit files. On December 5, 2007, a final draft report was presented and the formal written response was provided by the FHFB IG on December 28, 2007. The report and supporting exhibits were

finalized and forwarded to the FHFB OIG and the ECIE on January 9, 2008.

- This reporting period, the OIG was required to have a peer review conducted on its audit operations. The Appalachian Regional Commission (ARC) Office of Inspector General conducted a peer review on the FEC OIG. An entrance conference was held and the majority of the fieldwork was conducted at the FEC. The final report was provided to the OIG on March 28, 2008 and contained an unqualified (clean) opinion.
- In December 2007, the OIG initiated audit follow-up verification activity for the Transit Benefit Audit released February 2007. The OIG met with management on February 20, 2008 to determine the status of open recommendations. We were unable to get an updated status at that time but eventually received an updated corrective action plan (CAP) from management on March 14, 2008. The OIG attempted to verify whether the actions had been fully implemented and therefore corrected the deficiencies described in the findings. Because management did not provide the CAP by the requested date, the OIG was unable to complete verification activities prior to cut-off for semiannual reporting for the three recommendations management put forth as fully implemented. Further, initial implementation verification activity performed does not support recommendation closure.
- The OIG worked with the FEC's Webmaster to implement requirements of Section 746 of the *Consolidated Appropriations Act, 2008* (H.R. 2764). Specifically, a direct link to the Inspector General's web page was added to the FEC's Internet home page to allow individuals quick and simple access to the OIG's web page. In addition, a new e-mail subscription service was

added to the OIG's web page to allow individuals to be automatically informed about the release of new OIG reports. Since launching the new e-mail subscription service in early 2008, nearly 100 individuals have subscribed to the new OIG service.

- The Office of Management and Budget (OMB), issued memoranda in 2006 and 2007, which recommend agencies establish a core management group and policy to respond to the loss of certain categories of sensitive and personal information. The team is composed of the Staff Director, Chief Information Officer, Inspector General, General Council, Associate General Council for Law & Advice, and the Information Systems Security Officer. This team is convened to conduct an initial evaluation of any potential breach. There was one potential issue reviewed this reporting period.
- The OIG received a letter from the Honorable Henry A. Waxman, U.S. House of Representatives, requesting a list of recommendations, made by the OIG from January 1, 2001 to present, that have not been implemented by Congress or agency officials. The OIG provided Representative Waxman with a list of outstanding recommendations from 2006 to present as the FEC has implemented all recommendations the OIG made prior to 2006. A brief summary of each audit was provided along with an accompanying chart that contained the outstanding recommendations and a short summary of each recommendation.
- The Federal Election Commission is transitioning to a Line of Business (LOB) and the Inspector General met with the Chief Financial Officer and the Accounting Officer to discuss the status of the transition.
- The Inspector General, along with the Staff Director, General Counsel, and Chief Financial Officer, hold weekly meetings to discuss various Commission issues and interactions between their respective areas.
- The FEC recently launched an Intranet to provide FEC employees with a forum for sharing and accessing information. The Inspector

General was interviewed and provided information on the duties of the Inspector General and how the OIG operates. The IG was also featured on the Intranet as one of the Women of the FEC.

- As a result of a significant increase in workload over the last several years, the OIG was granted additional hiring authority in late 2007. The OIG determined a new staff auditor and IG Counsel position are necessary to respond to the increased workload. The OIG devoted a significant amount of time during the first quarter on the hiring process. Because the two additional positions are newly created positions, the OIG created position descriptions for the staff auditor and IG Counsel positions. In addition, the OIG worked on a recruitment strategy during the quarter, to include employment advertisements in newspapers and online employment Websites. The OIG also met with the FEC HR office several times to discuss recruitment of the two new OIG positions. Lastly, the OIG started a review in March 2008 of the resumes received in response to the employment advertisements.
- The OIG worked on finalizing its record retention and disposition schedule to be submitted to the National Archives and Records Administration (NARA) for approval. The purpose of the record retention and disposition schedule is to list the types of records maintained by the OIG and the time period after which destruction or permanent retention is authorized. The record retention schedule will also provide for the transfer of inactive records from the OIG to an off-site records center. The OIG met with the FEC's records contractor to discuss the OIG's draft record retention and disposition schedule. The FEC contractor agreed to provide the draft schedule to NARA for review and approval. Furthermore, to reduce the level of paper records stored in the OIG file room, the OIG initiated a scanning project. To date, all of the 2004 Financial Statement Audit records have been converted to electronic format.

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 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 heads 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 also participates in joint meetings and activities with the President's Council on Integrity and Efficiency.

Due to potential passage of legislation affecting the Inspector General community, the PCIE and the ECIE formed a committee composed of four IGs from the PCIE and four IGs from the ECIE to assist in the transition and to decide what steps need to be taken by the community if a bill passes. The FEC IG is an ECIE representative to the transition committee. During the last several months, the committee met four times to discuss issues related to combining the two IG councils. Some of the other issues discussed concern the election of the chair, committee structure and a charter.

The IG chaired two ECIE meetings and attended two PCIE meetings at the request of the ECIE Vice Chair who was unable to attend.

The IG provided comments to the ECIE on a Senate Committee report concerning the legislation affecting the IGs, specifically on the subject of ECIE compensation. The IG also provided comments on the Annual Report to the President prepared by the Inspector General community.

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:

IG Act	Description	Page
Section 4(a)(2)	Review of Legislation	11
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)	17
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)	15
Section 5(a)(9)	Recommendations that Funds be put to Better Use (Table II)	16
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

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

TABLE III

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

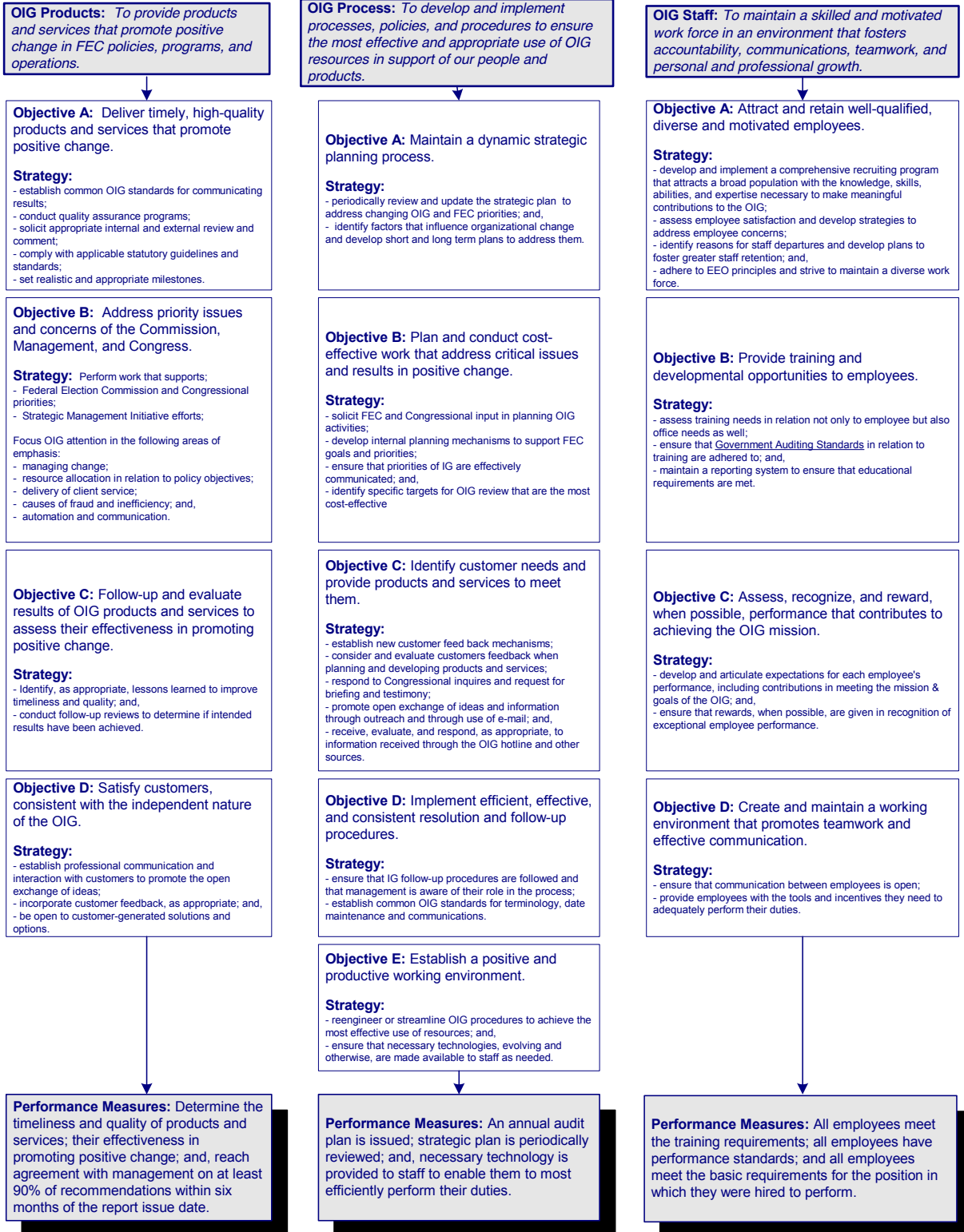
FINANCIAL STATEMENT AUDITS

FISCAL YEAR	REPORT NUMBER	RECOMMENDATIONS			
		REPEAT*	NEW	CLOSED	TOTAL
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.

REPORT TITLE	REPORT NUMBER	RECOMMENDATIONS			
		ISSUE DATE	NUMBER	CLOSED	OPEN
Audit of the FEC's Employee Transit Program	OIG-06-01	02/07	25	3	22

OIG STRATEGIC PLAN - FISCAL YEARS 2005 – 2010



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 – October 1, 2007 through March 31, 2008. 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
<i>October</i>	81	2	77	2
<i>November</i>	72	3	68	1
<i>December</i>	90	2	84	4
<i>January</i>	109	2	104	3
<i>February</i>	196	4	178	14
<i>March</i>	237	3	229	5
<i>TOTAL</i>	785	16	740	29

LIST OF TRAINING, MEETINGS AND 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 October 1, 2007 – March 31, 2008.

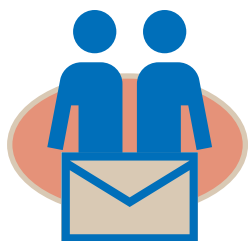
HOST/SPONSOR	TOPIC/SUBJECT
ECIE	Monthly Meetings
PCIE	Financial Statement Audit Network Meetings
Assistant Inspector General for Investigations (AIGI)	Quarterly Meeting
Project on Government Oversight	Met with POGO Committee to discuss IG study
U.S. Senate	Met with Senate staff members to discuss IG Legislation
U.S. House	Met with a Congressional staff member to discuss ECIE Pay Issues
PCIE / GAO	Financial Statement Audit Conference
Executive Women in Government	2008 Summit / Conference
Association of Government Accountants	Meet the Financial Policy Makers Seminar
Council of Counsels to Inspectors General	Freedom of Information Act (FOIA) Seminar
Federal Election Commission	Preventing Violence in the Workplace Seminar Disability and Reasonable Accommodations Seminar Misconduct in the Federal Workplace: Keys to Effective Disciplinary Investigations Presentation
GAO	Strategic Planning Presentation
Department of Defense / Department of Homeland Security	Financial Management Transformation and Risk Management Control Session
Association of Government Accountants	Forum on Emerging Issues in Government Financial Management
Association of Government Accountants	Using Internal Controls to Improve Performance Training
Management Concepts	Contracting Officer Representatives Training
American University	Key Executive Leadership - Session One
Small Agency Council	Federal Budget Process Training
U.S. Postal Service / OIG	TeamMate Training

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.

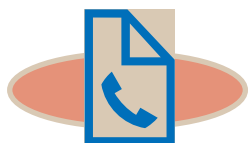


Call us at 202-694-1015 or toll-free 1-800-424-9530. A confidential or anonymous message can be left 24 hours a day/7 days a week.

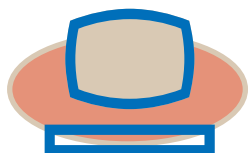


Write or visit us - we are located at: Federal Election Commission

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 us** at **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.