



SEMIANNUAL REPORT TO CONGRESS
APRIL 1, 2009 – SEPTEMBER 30, 2009

NOVEMBER 2009

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

November 17, 2009

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 Office of Inspector General's *Semiannual Report to Congress*. The report summarizes the activity of the FEC Office of Inspector General ("OIG") from April 1, 2009 through September 30, 2009. During this reporting period, the FEC's Inspector General commenced an audit of the FEC's fiscal year 2009 financial statements. The audit was completed on time and management issued the final Performance and Accountability Report on November 16, 2009. We are pleased to report that the Commission received an unqualified opinion from the Inspector General's independent auditors. We will provide additional comments on this audit in the next *Semiannual Report to Congress*.

During the semiannual period, the OIG completed and released the 2008 Audit of Procurement and Contract Management. This audit was released in September 2009 and identified nine significant issues that prevent the Procurement Office from achieving compliant and effective functions. As discussed in detail in that audit report, management generally concurs with the audit's recommendations, and OIG agreed that management's response, when fully implemented, should satisfy the intent of the audit recommendations.

The OIG also continued follow-up verification activity for a previous audit of the FEC's employee transit benefit program. The original audit was released in February 2007 and resulted in recommendations to improve management of this program. FEC management has prepared a Corrective Action Plan and joins the OIG in anticipating that the Transit Benefit program weaknesses will be corrected.

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 the *Semiannual Report* are being provided to the Chairman and Ranking Members of the FEC's oversight committees.

On behalf of the Commission,


Steven T. Walther
Chairman

Enclosure

MANAGEMENT REPORT ON
INSPECTOR GENERAL ISSUED REPORTS
WITH QUESTIONED COSTS
FOR THE SIX-MONTH PERIOD ENDING SEPTEMBER 30, 2009

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

MANAGEMENT REPORT ON
INSPECTOR GENERAL ISSUED REPORTS WITH
RECOMMENDATIONS TO PUT FUNDS TO BETTER USE
FOR THE SIX-MONTH PERIOD ENDING SEPTEMBER 30, 2009

	<u>Number of Reports</u>	<u>Funds to be Put To Better Use</u>
A. Reports for which no management decision has been made by the commencement of the reporting period	0	0
B. Reports issued during the reporting period	0	0
C. 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. Reports 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

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

A Message from the Inspector General

One of the focuses of the Office of Inspector General (OIG) this past six months has been to increase our presence at the Federal Election Commission (FEC). The main way we did this was to launch an Intranet website, with the assistance of the FEC's Information Technology Division. The FEC's Intranet (FECNet) serves as the interactive information resource for FEC employees and is only accessible by connecting to the internal FEC network.

The development of the OIG FECNet page allows the OIG a vehicle to make the tools and information that we provide for the use and knowledge of FEC staff readily available. Some of the documents/information provided on the webpage include an electronic staff complaint form that FEC staff can use to report alleged fraud, waste or abuse within the agency; guidance for FEC staff regarding all the possible methods that can be used by FEC staff to report suspected fraud, waste or abuse; the OIG brochure; and the latest reports issued by the OIG. We also plan to use this site to post our completed work and provide communication to the FEC staff. I would like to especially thank Mia Forgy, OIG auditor, for the work she did on this project.

The OIG also conducted our annual brainstorming session during this reporting period. Prior to our meeting date, the Deputy Inspector General sends out an email to all FEC staff soliciting their input. We then take all received suggestions and have an all day staff session where we discuss areas that we want to focus our resources. After that meeting the Deputy IG and I meet to complete the work plan for the upcoming and future years. The OIG annual work plan for Fiscal Year 2010 can be found on page 21 of this report.

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

Lynne A. McFarland
Inspector General
Federal Election Commission

September 30, 2009

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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 **2008 Audit of Procurement and Contract Management – OIG-08-02** was completed and released September 2009. The OIG determined that an audit of the FEC's contract and procurement management process was necessary due to our failed attempts to validate the deliverables of two former FEC contractors. The OIG hired the auditing firm of Regis & Associates PC to conduct the audit.

There were eight (8) objectives associated with the audit. The audit identified nine (9) significant issues that prevent the Procurement Office from achieving compliant and effective functions. The results of audit testing showed that, overall, the agency may not have received goods and services within the contract terms, and that the Procurement Office did not adequately document and assess its acquisition processes, procedures, and management controls. Management generally concurred with the results

of the audit and has already begun addressing the findings and recommendations by finalizing policies and procedures and providing training for agency employees responsible for contract management oversight.

The **Audit of the FEC's Fiscal Year 2009 Financial Statements – OIG-09-01** commenced during this reporting period. Under a contract monitored by the OIG, certified public accountants, Leon Snead & Company (LS&C) was selected to perform the audit of the FEC's FY 2009 financial statements. The OIG is 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, as amended*; and 5) other procedures the OIG deems necessary to oversee the contract and audit.

The entrance conference has been conducted, the audit scope and ways to ensure an efficient and effective audit process for fiscal year 2009 was discussed. A timeline was established, along with requests to management for necessary documentation and information concerning the financial statements. The planning and interim audit testing phases were completed by LSC during the semiannual period. The OIG reviewed LSC's audit planning methodology and interim audit testing results, and provided comments to LSC. In addition, LSC prepared several notice of findings and recommendations which were reviewed by the OIG and then issued to FEC management for response. The OIG has coordinated and attended regular biweekly audit status meetings with LSC and FEC management during the audit;

more frequent meetings will be held in the month of October as the audit nears completion.

The **Audit of the Commission's Property Management Controls – OIG-09-02** also commenced during this reporting period. The audit is being conducted based upon an OIG developed strategic audit plan for the agency, and previously reported misuse of FEC property. The scope of the audit includes a review of Commission internal controls over FEC property from FY 2007 to present. This includes blackberry/cellular telephones; FEC vehicles; and fleet/fuel charge card transactions.

The OIG held an entrance conference on September 11, 2009 to provide management with an understanding of the purpose, scope, and audit plan for the audit of the Commission's Property Management Controls.


An **Audit Follow-up Review of the FEC's Employee Transit Benefit Program – OIG-08-03** was completed and released July 2009. The purpose of the audit follow-up was to verify whether management had adequately implemented the OIG's recommendations, as agreed, prior to closing the outstanding 22 recommendations from the 2007 audit. As a result of the audit follow-up review, the OIG closed only one of the 22 outstanding recommendations and identified 16 findings and made 51 additional recommendations for improvement to the management of the program. The OIG's audit follow-up report also included five suggestions for additional program improvement.

The OIG believes that the lack of progress is based on two key points: the absence of a single individual responsible and accountable for the overall program administration of the transit benefit program; and the failure to fully apply FEC Directive 50, Audit Follow-up, in monitoring and reporting progress of recommendation implementation to the Commission and the OIG.

For detailed information regarding the above audits and audit follow up activity, see the section entitled **OIG Audit Activity** (starting on page 5); and **OIG Audit Follow-up Activity** (starting on page 8).

As we come to the conclusion of this reporting period, there are 10 hotline complaints open and in various stages (pending, in progress); 11 hotline complaints were closed this quarter; and 5 investigations are currently in progress. For more information pertaining to the hotline issues, see the section entitled **OIG Hotline Information** (located on page 9); for more information on investigations, 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 consists 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 a full complement of Commissioners – Steven T. Walther, Chairman; Matthew S. Petersen, Vice Chairman; and Commissioners Cynthia L. Bauerly; Caroline C. Hunter; Donald F. McGahn II; and Ellen L. Weintraub.

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

2008 Audit of Procurement and Contract Management

Assignment Number: OIG – 08-02

Status: Released September, 2009

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

Based on discussions with management and efforts by the OIG to validate the deliverables of two former contractors; the OIG decided to conduct an audit of the procurement and contract management functions of the agency. The OIG contracted with Regis & Associates, PC (Regis) to conduct a performance audit of the procurement and contract management policies and procedures used by the FEC and to determine whether the FEC is complying with the policies and procedures, and applicable federal acquisition laws and regulations.

The objectives of the audit were to determine whether the Procurement Office had met the following: 1) procured supplies and services in an efficient and effective manner, and in compliance with applicable laws, regulations, policies, and procedures; 2) developed internal bulletins, directives, policies and procedures that comply with applicable laws and regulations and whether they are used to direct procurement activities throughout the Commission; 3) reported accurately its procurement statistics to the General Services Administration; 4) received the goods and services in accordance with contract terms; 5) used procurement information to manage procurement operations effectively and efficiently; 6) closed contracts in a timely manner; 7) established effective internal controls with regard to procurement and contract monitoring; and 8) documented and assessed its acquisition processes, procedures, and management controls in accordance with the *Federal Manager's Financial Integrity Act*.

The audit included a review of 90 different procurements totaling approximately \$27.6 million. The sample included various types of procurement instruments (e.g. contracts, purchase orders, blanket purchase agreements, and one specified interagency agreement) awarded/executed by the Procurement Office in fiscal years 2006 through 2008. The audit testing was designed to assess procurement operations both before and after the current Director of Procurement was hired by the agency in March 2008.

The results of audit testing showed that, overall, the agency may not have received goods and services within the contract terms, and that the Procurement Office did not adequately document and assess its acquisition processes, procedures, and management controls. The audit identified nine significant issues that prevent the Procurement Office from achieving compliant and effective functions. Specifically, improvement is needed in the following areas:

- acquisition planning and pre-award administration;
- process for approving procurement awards;
- oversight and monitoring of procurement activities;
- contracting data reported in the Federal Procurement Data System;
- payments on time-and-materials, and labor-hour contracts;
- contract close-out compliance with the *Federal Acquisition Regulation (FAR)*;
- compliance with the *Clinger-Cohen Act* on information technology investments; and
- blanket purchase agreement usage; and contract file recordkeeping.

Management generally concurred with the results of the audit and has already begun addressing the findings and recommendations by finalizing policies and procedures and providing training for agency employees responsible for contract management oversight.

Audit of the Federal Election Commission's Fiscal Year 2009 Financial Statements

Assignment Number: OIG – 09-01

Status: In Progress

The *Chief Financial Officers Act of 1990* (Public Law 101-576, commonly referred to as the “CFO Act”), as amended, requires the FEC Office of Inspector General or an independent external auditor, as determined by the Inspector General, to audit the agency financial statements. Under a contract monitored by the OIG, Leon Snead & Company (LSC), an independent certified public accounting and management consulting firm was awarded a five year contract to audit the FEC's financial statements and is performing the 2009 audit.

LSC has been contracted to conduct the financial statement audit following Generally Accepted Government Auditing Standards (GAGAS) and OMB Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements, as revised*. The firm will issue an opinion regarding whether the FEC's financial reports and supplemental information (if any) are fairly presented in all material respects in accordance with Generally Accepted Accounting Principles. In addition, the firm will provide reports on internal controls and compliance with laws and regulations for matters relevant to the financial statement audit. LSC may also prepare a management letter documenting any deficiencies in internal controls that are not required to be included in the public audit report, but that the audit firm considers necessary to communicate to the Commission and management.

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

The OIG coordinated and attended the audit entrance conference with LSC and management to

discuss the audit objectives and schedule. In addition, the OIG developed a tracking Excel spreadsheet to account for the numerous logistical, administrative and contract requirements for the audit contractors. The OIG also coordinated and attended meetings in late August with LSC and the FEC's Chairman and Vice Chairman to discuss the audit objectives and progress of the audit.

The planning and interim audit testing phases were completed by LSC during the semiannual period. The OIG reviewed LSC's audit planning methodology and interim audit testing results, and provided comments to LSC. In addition, LSC prepared several notice of findings and recommendations which were reviewed by the OIG and then issued to FEC management for response. The OIG has coordinated and attended regular biweekly audit status meetings with LSC and FEC management during the audit; more frequent meetings will be held in the month of October as the audit nears completion. The audit is scheduled to be completed by November 16, 2009.

Audit of the Commission's Property Management Controls

Assignment Number: OIG – 09-02

Status: In Progress

The audit of the Commission's Property Management Controls commenced during this reporting period. The audit is being conducted based upon an OIG developed strategic audit plan for the agency; and previously reported misuse of FEC property.

The scope of the audit includes a review of Commission internal controls over FEC property from FY 2007 to present. This includes blackberry/cellular telephones; FEC vehicles; and fleet/fuel charge card transactions. Audit steps will include documentation and review of the adequacy of policies and procedures for managing assets; business processes used to manage the assets; and management control activities used to detect and correct potential fraud, waste, and abuse of the assets. We will also conduct detailed testing of asset use to determine whether employees complied with FEC policies and procedures.

The OIG held an entrance conference on September 11, 2009 to provide management with an understanding of the purpose, scope, and audit plan for the audit of the Commission's Property Management Controls. The OIG has begun to gather electronic data regarding the blackberry/cellular telephones; retrieve detailed transaction data pertaining to FEC leased vehicles; obtain policies and procedures from management; and develop detailed test steps.

We are confident this audit will prove to be valuable to the Commission as the OIG ensures that the controls over FEC property are in place, those controls are effective, and that the property is not misused.

OIG AUDIT FOLLOW-UP ACTIVITY

Audit Follow-up of the FEC's Employee Transit Benefit Program

Assignment Number: OIG – 08-03

Status: Released July, 2009

<http://www.fec.gov/fecig/transit09.pdf>

The Federal Election Commission (FEC) Office of Inspector General (OIG) initiated a follow-up review of the OIG's 2007 audit of the FEC's Employee Transit Benefit Program. The purpose of the audit follow-up was to verify whether management had adequately implemented the OIG's recommendations, as agreed, prior to closing the outstanding 22 recommendations from the 2007 audit.

The OIG issued the final audit report on July 9, 2009. Based on the results of the audit follow-up review, the OIG continues to note the program's internal control system needs strengthening to ensure that unused subsidies are returned by separating employees, former employees are promptly removed from the list of eligible transit subsidy recipients, employees do not have access to duplicate benefits, and that ineligible persons do not have access to FEC transit benefits. As a result of the audit follow-up review, the OIG closed only one of the 22 outstanding recommendations and identified 16 findings and made 51 additional recommendations for improvement to the management of the program. The OIG's audit follow-up report also included five (5) suggestions for additional program improvement, which are described in the Other Matters of Interest section of the report.

The OIG included two findings in this report which highlight the primary reasons for the lack of progress in implementing the agreed corrective actions to address transit benefit program weaknesses

identified in the prior audit report. The OIG believes that the lack of progress is based on two key points: the absence of a single individual responsible and accountable for the overall program administration of the transit benefit program; and the failure to fully apply FEC Directive 50, Audit Follow-up, in monitoring and reporting progress of recommendation implementation to the Commission and the OIG.

Management generally concurred with the audit recommendations and prepared a Corrective Action Plan (CAP) documenting the activities needed to fully implement the audit recommendations. The OIG provided comments on the CAP and looks forward to working with management to ensure the Transit Benefit program weaknesses are corrected.

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 (HL) 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.

On July 8, 2009, the Office of Inspector General (OIG) established a revised policy for reviewing and evaluating hotline complaints. This policy was developed to guide the OIG's effort to ensure consistency and fairness in its case initiation decisions. The policy will also serve as a guide for the OIG to manage the increased case load in the OIG's hotline complaints, which has occurred over the past couple of years. The guidelines in this policy compiled some of the best practices of other OIG offices. The policy defines "hotline complaints" as allegations or referrals of fraud, waste, abuse, mismanagement, and misconduct, involving FEC employees/contractors, programs, operations, property, or funds.

The OIG considers many factors when evaluating whether to open an investigation based on a hotline complaint, and acknowledges that every allegation or complaint received by the OIG cannot be investigated. The policy includes evaluation considerations, such as the merits of an allegation, the availability of evidence; and the existing priorities, commitments, and resources of the OIG. Under this new policy, hotline complaints shall be classified as either high or low priority complaints. High priority complaints are investigated and low priority complaints are either closed with no action, or referred to an appropriate official for possible further review.

Under this new policy, hotline evaluation decisions are made by the Chief Investigator, with concurrence from the Deputy IG.

As this reporting period concludes, the OIG has ten (10) open hotline complaints in various stages (pending or in progress); eleven (11) hotline complaints were closed this quarter.

OIG INVESTIGATIONS:

OIG investigations seek out facts related to allegations of wrongdoing. OIG investigations may address administrative, civil, and criminal violations of laws and regulations. The subject of an OIG investigation can be any agency employee, an FEC contractor, consultant, or a person or entity involved in alleged wrongdoing affecting FEC programs and operations. The OIG conducts a detailed examination or inquiry into issues brought to our attention by various sources. The examination of the information provided could potentially lead to an official investigation. At the conclusion of an OIG investigation, the OIG prepares a report that sets forth the allegations and an objective description of the facts developed during the investigation.

Currently there are five open investigations - four are administrative investigations; one is a criminal investigation.



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 legislation provided by the Council of Inspectors General on Integrity and Efficiency (CIGIE) Legislative Committee. In addition, the Inspector General routinely reads all Commission agenda items. Listed below are examples of the OIG's additional activities:

- The OIG received a Congressional inquiry requesting that our office conduct an investigation into whether the Association of Community Organizations for Reform Now (ACORN), and its affiliates, failed to comply with FEC regulations and the *Federal Election Campaign Act (FECA)*. Under the *IG Act*, our office is prohibited from performing any FEC program functions, enforcing the laws and regulations under the *FECA* is the agency's responsibility and therefore the OIG has no oversight authority over ACORN or any groups regulated by the FEC and the OIG informed the requestor that we could not conduct an investigation
- The OIG conducted research on various legal issues such as the *Clinger-Cohen Act*; IG Authority; and OPM Policies; responded to or provided comments to various requests for assistance/information within the IG community, as well as the Integrity Committee, and the Legislation Committee.
- The OIG conducted research and updated the Inspector General Management Challenges for inclusion in the *2009 Performance and*

Accountability Report (PAR). Research included reviewing Executive Order requirements, interviews with OMB and FEC staff. The Management Challenges document was finalized and distributed to the Commission on September 29, 2009.

- As established by a Memorandum of Understanding (MOU) between the National Labor Relations Board (NLRB), OIG and the Federal Election Commission, OIG – the FEC OIG independently referenced a NLRB draft inspection report. The purpose of the independent referencing was to ensure that statements of facts, figures, and dates are accurately reported; the findings are adequately supported by the evidence in the audit documentation; and the conclusions and recommendations flow logically from the evidence.
- Conducted survey work on the FEC's records management process, drafted a discussion document on the history and current state of FEC records management processes. The OIG briefed the FEC staff director and provided information pertaining to the issues surrounding the FEC records management process.
- The OIG conducted several new employee orientations (NEO) during this reporting period. The NEO is designed to give new employees an overall look at the Commission's core divisions. The OIG introduces the new employee to the office and details the responsibilities of the OIG and the employee's responsibilities as a federal employee.

OIG SPECIAL PROJECT:



Pictured: Ms. Mia Forgy, OIG Staff Auditor and Mr. William Murphy, Senior IT specialist, Information Technology Division (ITD) FECNet Team


The OIG launched an Intranet website in September 2009, with the assistance of the FEC's Information Technology Division. The FEC's Intranet (FECNet) serves as the interactive information resource for FEC employees and is only accessible by connecting to the internal FEC network.

The development of the OIG FECNet page allows the OIG a vehicle to make the tools and information that we provide for the use and knowledge of FEC staff readily available. Some of the documents/information provided on the webpage include an electronic staff complaint form that FEC staff can use to report alleged fraud, waste or abuse within the agency; guidance for FEC staff regarding all the possible methods that can be used by FEC staff to report suspected fraud, waste or abuse; the OIG brochure; and the latest reports issued by the OIG.

The FECNet page will be an on-going project for the OIG; we will continually update the FECNet page to share with the agency updates and changes that occur within the IG office, and highlight current events that take place in the OIG.

Mr. William Murphy, Senior IT specialist from the Information Technology Division (ITD) FECNet Team, was instrumental in assisting the OIG with designing the webpage. The OIG extends a special thank you to Mr. Murphy for the outstanding assistance he provided.

COUNCIL OF THE INSPECTORS GENERAL ON INTEGRITY AND EFFICIENCY (CIGIE) ACTIVITY:



This has been a very active and productive time for the CIGIE. Following the election of the first chair of the CIGIE much needed to be accomplished to get the new Council organized and functioning. As a member of the Executive Council of CIGIE, the Inspector General has participated in numerous meetings where things such as the Council's charter, budget, business and staffing plans have been discussed prior to presentation of these issues to the complete membership for approval. The Executive Council meets monthly to discuss issues that will have an impact on CIGIE and its members. The Executive Council is also responsible for reviewing the nominations for key awards that will be presented at the annual awards ceremony.

As part of the *Inspector General Reform Act*, the CIGIE was charged with providing recommendations to the Administration and Agency Heads concerning qualified candidates for Inspector General positions. The Inspector General, along with the Department of Justice Inspector General, serves as co-chair of the Inspector General Candidate Recommendation Panel. In this capacity, they have met with representatives of the White House Office of Personnel and various representatives from agencies to discuss candidates for vacant IG positions. They have also devised a method for receiving resumes and applications from interested candidates and the panel created a questionnaire for all interested applicants to complete. During this quarter, the panel met several times and conducted numerous conference calls to discuss candidates in relation to open IG positions.

The Inspector General also attends the monthly CIGIE meetings and is Vice Chair of the Professional Development Committee. The Inspector General attended the 2009 CIGIE Annual Leadership Training Conference and served as moderator for one of the panels.

OIG CONTACTS

The table below indicates the total amount of contacts received by the Office of Inspector General for the past six months – April 1, 2009 through September 30, 2009.

These contacts were made through various sources such as telephone calls, e-mails, faxes, U.S. mail, and personal visits to the OIG.

TOTAL CONTACTS	OIG ACTION	NO ACTION NECESSARY	FORWARDED FOR ACTION
856	34	805	17

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 April 1, 2009 – September 30, 2009.

HOST/SPONSOR	TOPIC/SUBJECT
CIGIE	Monthly Meetings Executive Council Meetings Professional Development Committee Meetings Inspections and Evaluation Conference Annual Leadership Training Conference Financial Statement Audit Network (FSAN) Meetings
Council of Counsels to the Inspectors General	Monthly CCIG Meetings
Assistant Inspector General for Investigations	AIGI Annual Conference Quarterly Meetings
Federal Audit Executive Council	FAEC Conference
Federal Dispute Resolution Conference	FDR Conference
Association of Certified Fraud Examiners	ACFE Conference
Association of Government Accountants Conference	AGA Professional Development Conference
Professional Women Network	PWN International Conference
Management Concepts	Contracting Officers Technical Representative (COTR) Training
Federal Law Enforcement Training Center	IG Basic Non-Criminal Investigator Training
DC Bar	Federal Sector Employment Disputes Training

(cont.)

HOST/SPONSOR	TOPIC/SUBJECT
Capitol.Net	Capitol Hill Workshop: Politics, Policy, and Process Training
Human Resources Institute	Upward Mobility For Federal Employees Training Introduction to Project Management Training
Federal Election Commission	Cyber Space Advanced Persistent Threat Briefing Weekly Directors' Meetings Agency Town Hall Meeting OIG Bi-weekly Staff Meetings Administrative Liaison Group Meeting 2009 Ethics Training 2009 <i>No Fear Act</i> Training Computer Security Awareness Training SkillPort – Communication Skills For Successful Management Training

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)	20
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)	18
Section 5(a)(9)	Recommendations that Funds be put to Better Use (Table II)	19
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

REPORT TITLE	REPORT NUMBER	RECOMMENDATIONS			
		ISSUE DATE	NUMBER	CLOSED	OPEN
Audit of the FEC's Employee Transit Program	OIG-06-01	02/07	21	0	21
2007 Performance Audit of Privacy and Data	OIG-07-02	12/07	7	0	7
Audit of the FEC's FY 2008 Financial Statements	OIG-08-01	11/08	19	0	19

Federal Election Commission Office of Inspector General



Fiscal Year 2010 Work Plan

Lynne A. McFarland
Inspector General

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FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

Office of Inspector General

A Message from the Inspector General

I am pleased to present to the Commission the Office of Inspector General's (OIG) fiscal year (FY) 2010 Annual Work Plan. This work plan includes a description of audit, investigative and special projects planned for the fiscal year. This plan also sets forth the OIG's formal strategy for identifying priority issues and managing its workload and resources for FY 2010. Successful execution of this plan will enable the OIG to provide the highest quality work products to our stakeholders and to assist the FEC in meeting its strategic mission, goals and objectives.

The U.S. Federal Election Commission's (FEC) mission is to prevent corruption in the Federal campaign process by administering, enforcing and formulating policy with respect to Federal campaign finance statutes. The OIG is committed to ensuring the integrity of FEC programs and operations. The development and continual updating of the OIG's work plan is a critical aspect of accomplishing the OIG's objectives to promote economy and efficiency in FEC programs and to detect and prevent fraud, waste and abuse. Effective work planning ensures that audit and investigative resources are used effectively and efficiently. I look forward to a successful year of providing the highest quality of audit and investigative support and service to our stakeholders.

I am also committed to ensuring effective lines of communication with the Commission regarding OIG work activities and issues of concern and importance to the Commission. Information on OIG work activity will be reported to the Commission in quarterly reports and also in the OIG's Semiannual Reports to Congress.

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

Lynne A. McFarland
Inspector General
Federal Election Commission

October 1, 2009

The Federal Election Commission

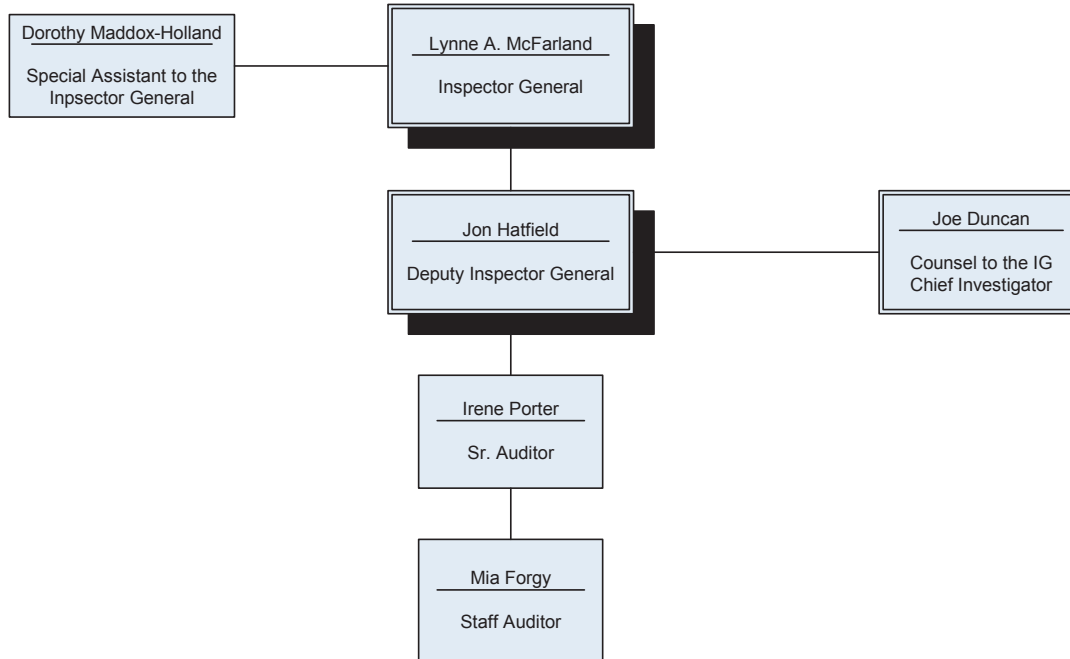
In 1975, Congress created the Federal Election Commission (FEC) to administer and enforce the *Federal Election Campaign Act (FECA)*. The duties of the FEC, an independent regulatory agency, are to disclose campaign finance information; enforce the provisions of the law; and oversee the public funding 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 a full complement of Commissioners – Steven T. Walther; Matthew S. Petersen; Cynthia L. Bauerly; Caroline C. Hunter; Donald F. McGahn, II; and Ellen L. Weintraub.

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. The OIG budget request for fiscal year 2010 is \$1,116,762 to cover salaries and related expenses for six staff members, to include audit contracts and training. Exhibit 1 on the following page contains the OIG's organizational chart.

Exhibit 1: FEC - OIG Organizational Chart



OIG Strategic Planning


Strategic Plan

To enhance the effectiveness of the OIG, and to ensure effective audit and investigative coverage of the Commission's programs and operations, in 2005 the OIG updated our strategic plan covering the period 2005 through 2010. Three major categories of OIG-wide goals and objectives were identified, which are as follows:

- **OIG Products:** To provide products and services that promote positive change in FEC policies, programs, and operations.
- **OIG Processes:** To develop and implement processes, policies, and procedures to ensure the most effective and appropriate use of OIG resources in support of our people and products.
- **OIG Staff:** To maintain a skilled and motivated work force in an environment that fosters accountability, communications, teamwork, and personal and professional growth.

In addition, strategies and performance measures for each objective are included in the strategic plan. For example, an OIG performance measure for audits includes using feedback from stakeholder surveys to continually improve the OIG's audit process. At the conclusion of each audit/inspection/review, the OIG distributes a stakeholder survey to the program officials to solicit their feedback on the usefulness of the completed audit and their overall satisfaction with the audit process.

The OIG strategic plan will continue to evolve and will be reviewed and updated as necessary to ensure maximum effectiveness in meeting the changing needs of the FEC, consistent with the OIG's statutory responsibilities. A detailed illustrative version of the OIG's strategic plan can be found as an attachment of this Annual Work Plan.



The planning methodology that we have adopted is built around the OIG staff brainstorming sessions held annually each summer, as well as soliciting and receiving feedback and ideas from stakeholders throughout the year. The annual work plans will, of course, require periodic updates to reflect changes, such as new priorities, as well as any changes in OIG resources. In the summer of 2009, the OIG conducted our second annual all-day brainstorming session. Similar to 2008, the ideas and suggestions generated from the brainstorming session were separated into categories to include audits, projects and inspections, and then ranked (i.e., high, medium and low) according to priority.

In anticipation of the OIG annual brainstorming sessions, the OIG sends an e-mail to all FEC staff seeking input in formulating the OIG's work plans. Historically, the OIG receives useful audit suggestions from FEC staff which are then considered during the annual planning process.

The OIG planning process is designed to yield work assignments that will identify opportunities for economy, efficiency and effectiveness in FEC programs and operations; and detect and prevent fraud, waste, abuse and mismanagement. The priority for conducting work assignments is based on (1) mandatory legislative requirements; (2) emphasis by the President, Congress, and the Commission; (3) a program's susceptibility to fraud, manipulation, or other irregularities; (4) dollar magnitude or resources involved in the proposed area; (5) management needs identified through consultation with primary organization heads; (6) newness, changed conditions, or sensitivity of an organization; (7) the extent of outstanding issues resulting from prior audit coverage or review by OIG; and (8) the adequacy of internal control systems in place for the program or other factors.

Based on the results of the OIG's planning process, the OIG's annual work plan is divided into three primary categories:

- (1) Audits/Inspections/Reviews;
- (2) Investigative Program; and
- (3) Special Projects.

OIG 2010 Work Plan

AUDITS/INSPECTIONS/REVIEWS

The term "audit" is used to describe work performed by auditors in examining financial statements, as well as work performed in reviewing compliance with applicable laws and regulations, the economy and efficiency of operations, and the effectiveness in achieving program results. These audits are prepared in accordance with generally accepted government auditing standards and vary in scope and complexity. Inspections and reviews are conducted in accordance with quality standards issued by the federal Inspector General community.

For Fiscal Year 2010, the following audit related assignments are planned:

1. Audit of the Federal Election Commission's 2009 and 2010 Financial Statements.

In accordance with the *Accountability of Tax Dollars Act of 2002*, the FEC is required to prepare annual financial statements in accordance with Office of Management and Budget (OMB) Circular No. A-136, *Financial Reporting Requirements*. The *Chief Financial Officers Act of 1990*, as amended, requires the FEC Inspector General, or an independent external auditor selected by the IG, to audit the agency financial statements.

We will oversee the audit conducted by the OIG's independent public accounting firm Leon Snead & Company. The OIG is 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*, as revised; and 5) other procedures the OIG deems necessary to oversee the contract and audit.

*Planned period of audit: May 2009 – November 2009;
May 2010 – November 2010.*

2. Audit of the Federal Election Commission's Property Management Controls.

We will conduct an audit of the controls over FEC property, to include Blackberry/cellular telephones, FEC vehicles and fleet/fuel charge cards. The scope of this audit will include a review of Commission internal controls over FEC property from fiscal year (FY) 2007 to present. The audit will assess the adequacy of: (1) policies and procedures for managing the assets; (2) business processes used to manage the assets; and (3) management control activities used to detect and correct potential fraud, waste and abuse of the assets. The OIG will also conduct detailed testing of asset use to determine whether employees complied with FEC policies and procedures.

Planned period of audit: September – November 2009.

3. Audit Follow-up of the OIG's 2007 Performance Audit of Privacy and Data Protection.

We will conduct an audit follow-up of the 2007 audit of privacy and data protection, an audit conducted by an independent public accounting firm on behalf of the OIG.

In 2007, the OIG contracted with Cotton & Company, LLP to conduct a performance audit of privacy and data protection policies and procedures and, specifically, to determine whether the FEC is adequately protecting personally identifiable information (PII). The auditors reported seven separate findings and provided thirteen recommendations for improving privacy practices at the FEC. The purpose of the audit follow-up will be to determine whether FEC management has taken adequate steps to implement agreed upon actions on OIG recommendations contained in the 2007 audit report.

Planned period of audit: Early 2010.

4. Audit Peer Review.

The OIG will conduct an audit peer review of the Commodity Futures Trading Commission OIG as part of the Council of Inspectors General on Integrity and Efficiency's audit peer review program. Government Auditing Standards require audit organizations to have an external review of their quality control system at least every three years. The FEC OIG is scheduled to be peer reviewed in FY 2011.

Planned period of review: May – June 2010.

5. Audit Policies and Procedures Manual.

The OIG's current audit policies and procedures manual will be updated and finalized during the fiscal year to reflect changes in auditing standards and changes in the OIG's audit environment, to include the use of electronic working papers.

6. Additional Work Assignments. The following additional assignments may be undertaken during fiscal year 2010 based on available OIG resources, timing of management's implementation of audit recommendations, benefit to the agency and other relevant factors. Priorities may be adjusted to reflect emerging issues during the fiscal year.

- a. Inspection of the FEC's Employee/Contractor Background Investigation Program.
- b. Audit Follow-up of the OIG's Transit Benefit Program Audit.
- c. Audit Follow-up of the OIG's 2009 Procurement and Contract Management Audit.
- d. Inspection of the FEC's Occupant Emergency Program.
- e. Audit of the FEC's Physical Security / Protection of FEC Records.
- f. Audit of the FEC's Training Program.
- g. Audit of the FEC's Debt Collection / Civil Penalties Program.

INVESTIGATIVE PROGRAM

The OIG's investigative program is intended to add value to the agency's programs and operations by identifying and investigating allegations of fraud, waste, abuse and misconduct leading to criminal, civil, and administrative penalties and recoveries. Investigations typically originate as hotline complaints and may result in formal investigations if the OIG believes an investigation is warranted. The OIG's investigative program also provides for initiatives designed to monitor specific high-risk areas within FEC programs and operations in order to proactively identify vulnerabilities in order to prevent fraud, waste and abuse.

For Fiscal Year 2010, the following investigative assignments are planned:

1. Manage Hotline Complaints and Investigation Caseload.

We will respond to hotline complaints during the fiscal year and report in a timely manner to the appropriate officials on the resolution of hotline complaints and investigations.

2. Outsource OIG Hotline.

During the fiscal year, the OIG is planning to contract with a vendor to provide a hotline service. Hotline complaints and investigations will continue to be handled by OIG staff, however, the outsourced OIG hotline will provide FEC employees, contractors and interested parties with an additional mechanism to submit complaints of fraud, waste, abuse and misconduct to the OIG.

3. Investigations Manual.

The OIG plans to update and finalize the OIG's investigations manual during the fiscal year.

4. Proactive Investigative Initiatives.

The OIG will initiate proactive reviews involving high-dollar and high-risk programs and operations of the agency. In addition, the OIG has identified several agency data systems, such as financial related systems, and plans to pursue direct read-access for OIG personnel as part of the OIG's proactive initiatives to prevent fraud, waste, abuse and misconduct.

5. Outreach.

During the fiscal year, the OIG will conduct fraud awareness and OIG briefings with division management and staff. The fraud briefings are intended to educate FEC staff about the potential for fraud in FEC programs, such as travel, workers' compensation, time and attendance, and government charge card activity. Discussion and education on fraud will help employees to identify and report suspected fraud and help reduce the number of fraud cases. In addition, the OIG will continue the new employee orientation program to meet with all new employees to discuss the purpose and mission of the OIG. Lastly, the OIG will review and revise, as necessary, the OIG's FECNet (intranet) site, public Web site, OIG brochure, fraud poster, and other outreach initiatives.

SPECIAL PROJECTS

In addition to the OIG's audit and investigative responsibilities, the OIG will be responsible for numerous additional projects and activities during fiscal year 2010. For example, 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 and staff also participate in several federal Inspectors General community working groups on topics related to law, audits, and investigations. All of these activities contribute to the success and mission of the OIG. Additional special projects will arise throughout the fiscal year and the OIG will prioritize our workload to respond to the additional requirements.

For Fiscal Year 2010, the following special projects and activities are planned:

1. Participate and Attend Professional Working Group and Other Meetings.

The Inspector General or OIG staff will regularly attend the following Council of the Inspectors General on Integrity and Efficiency (CIGIE) professional working group meetings: CIGIE; Executive Council of CIGIE; CIGIE Professional Development Committee; IG Candidate Recommendations Panel Committee; IG Council of Counsels; Assistant Inspector General for Investigations; Federal Audit Executive Council; and Financial Statement Audit Network Group.

In addition to CIGIE professional working group meetings, the Inspector General or staff will regularly attend FEC weekly senior level meetings, and quarterly management and FEC town-hall meetings during the fiscal year.

2. Semiannual and Quarterly Reporting.

In accordance with the *Inspector General Act of 1978*, as amended, the OIG will prepare and transmit to the Congress semiannual reports on the activities of the OIG. Semiannual reports summarize OIG activities during the immediately preceding six-month periods ending March 31st and September 30th of each year. OIG semiannual reports are also provided to the Commission. The OIG will also report on a quarterly basis to the Commission on the activities of the office.

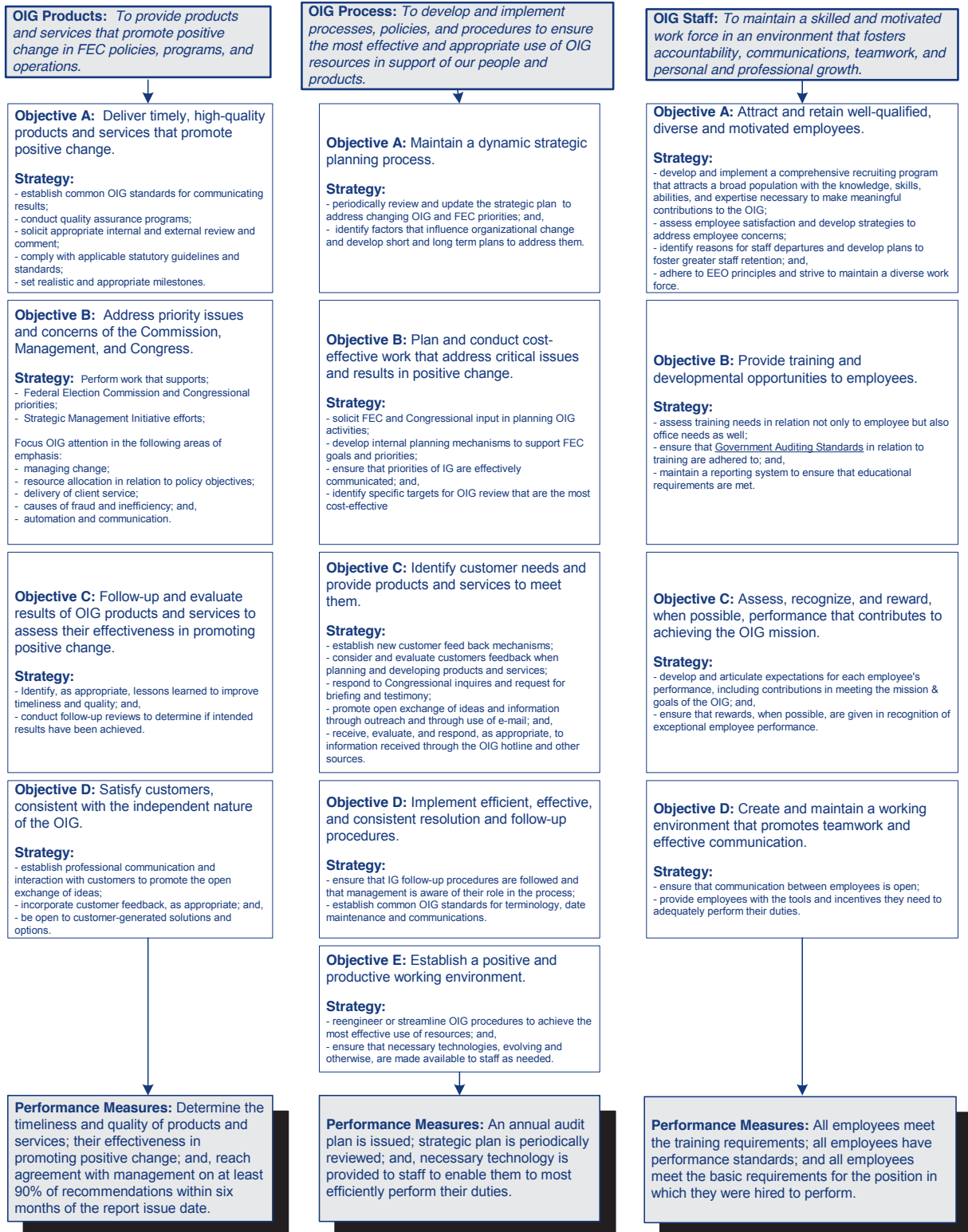
3. Professional Development and Training.

The goal of the OIG's training program is to provide cost effective training to increase professional knowledge and proficiency, and ensure staff meet continuing professional educational requirements. As a result, the OIG staff will attend professional training and conferences during the fiscal year to maintain and improve their knowledge, skills and abilities.

4. Audit Follow-up Tracking Database.

The OIG will complete and implement the OIG's new audit follow-up tracking database during fiscal year 2010. In partnership with the FEC's Information Technology Division, the OIG is developing the database to assist the FEC to adhere to the requirements of the Office of Management and Budget's Circular A-50, *Audit Followup*, September 29, 1982. The audit follow-up database will be an important tool for the Commission, management, program officials and OIG to monitor and track the status and implementation of audit recommendations by the OIG, Government Accountability Office, Office of Personnel Management, and other oversight bodies.

FEC/OIG STRATEGIC PLAN - FISCAL YEARS 2005 – 2010



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 (A confidential or anonymous message can be left 24 hours a day) **or toll-free 1-800-424-9530** (press 0; then dial 1015 Mon–Fri 8:30 AM – 5:00 PM).



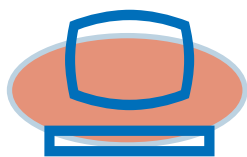
Write or visit us - we are located at: Federal Election Commission

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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>**

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