



SEMIANNUAL REPORT TO CONGRESS
OCTOBER 1, 2010 – MARCH 31, 2011

MAY 2011

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 19, 2011

The Honorable John A. Boehner
Speaker of the House of Representatives
Washington, D.C. 20515

Dear Mr. 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 October 1, 2010 through March 31, 2011. During this reporting period, the FEC's Inspector General completed, with the assistance of contract auditors, the annual audit of the FEC's financial statements.

We are pleased to report that the Commission received an unqualified (or clean) opinion on the required statements: the FEC's Balance Sheet as of September 30, 2010, and the related Statements of Net Costs, Changes in Net Position, Budgetary Resources, and Custodial Activity for the year then ended. This marks the second consecutive year with no material weaknesses identified. The auditors observed, however, two deficiencies in internal controls. The response of FEC management to the issues noted by the auditors appears in the report, which was issued on November 12, 2010.

During the semiannual period, the OIG completed, with the assistance of contract auditors, the 2010 Follow-Up Audit of the Commission's Privacy and Data Protection. This follow-up audit was released in March 2011 and identified 15 findings. Management's responses to the findings and recommendations are discussed in detail in that follow-up audit report.

The Commission appreciates and shares the Inspector General's commitment to sound financial and management practices, and looks forward to continuing its cooperative working relationship as management takes appropriate measures to improve operations of the Commission. Copies of the Semiannual Report to Congress are being provided to the Chairmen and Ranking Members of the FEC's oversight committees.

On behalf of the Commission,

A handwritten signature in blue ink that reads "Cynthia L. Bauerly".

Cynthia L. Bauerly
Chair

Enclosure

MANAGEMENT REPORT ON
INSPECTOR GENERAL ISSUED REPORTS WITH QUESTIONED COSTS
FOR THE SIX-MONTH PERIOD ENDING MARCH 31, 2011

	Number of Reports	Questioned Costs	Unsupported Costs
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 MARCH 31, 2011

	Number of Reports	Funds to be Put To Better Use
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 Inspector General

A Message from the Inspector General

This report summarizes the work completed by the Office of Inspector General (OIG) for the semiannual reporting period October 1, 2010 – March 31, 2011. The activities highlighted in this report demonstrate our continuing commitment to the promotion of integrity, accountability, efficiency and effectiveness in the programs and operations of the Federal Election Commission (FEC). It has been another fruitful six months for the Office of Inspector General. I would like to commend all of the staff for the effort they have expended in accomplishing our goals so far this fiscal year.

The annual financial statement audit, with the assistance of contract auditors, was completed and the FEC received an unqualified opinion. The OIG completed a follow-up audit, *2010 Follow-up Audit of Privacy and Data Protection*, which was conducted to ascertain whether the FEC had implemented the recommendations, contained in previous OIG audit and inspection reports. We also conducted a peer review of another OIG office and participated in the entrance conference for the peer review being conducted on my office. At the end of this period, the fieldwork had been completed.

I would like to express my thanks to the staff of the OIG as they continued to produce significant work that will have a positive impact on the FEC. Towards the end of this reporting period our senior auditor, Irene Porter, resigned to accept an opportunity at another federal OIG. Irene was an important member of the OIG team and her insight and work ethic will be greatly missed. We all wish her success in her new endeavor.

With that being said, the OIG is down a staff position and I have indicated to the Commissioners that I hope to fill that slot as soon as possible.

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

Lynne A. McFarland
Inspector General
Federal Election Commission

April 25, 2011

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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 Federal Election Commission (FEC) Office of Inspector General (OIG), 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 (audits, hotline, and investigations) can be found in subsequent sections of this report.

The OIG completed the 2010 Financial Statement Audit in November. The audit was conducted by Leon Snead & Company (LSC) under a contract with the OIG. As part of the process and for inclusion in the Performance and Accountability Report (PAR), the OIG compiled what we consider the most significant challenges facing management. The three management and performance challenges included in the FY 2010 PAR were:

- ⌘ *Governance Framework*
- ⌘ *Human Capital Management*
- ⌘ *Information Technology Security*

The OIG removed a fourth management challenge, *Financial Reporting*, which had been reported as a challenge since FY 2004. Although all financial management weaknesses have not been fully

addressed, the OIG has acknowledged that the FEC has made significant progress to address the many challenges in this area. Based on the FEC's progress and achievements over the last seven years, the OIG has concluded that *Financial Reporting* is no longer a management challenge for FY 2010.

LSC audited the balance sheet of the FEC as of September 30, 2010 and the related statements of net cost, changes in net position, budgetary resources, and custodial activity (the financial statements) for the year then ended and LSC expressed an unqualified opinion on those statements.

For detailed information regarding the above audit, see the section entitled **OIG Audit Activity** (starting on page 5).

The OIG also contracted with the IPA firm Cherry, Bekaert, and Holland (CBH) to conduct a follow-up audit on a previously completed OIG audit, *2007 Performance Audit of Privacy and Data Protection - OIG-07-02*. The contract focused on determining whether the FEC has implemented audit recommendations contained in previously issued OIG audit/inspection reports on privacy. The follow-up audit showed only three (3) of the nineteen (19) previous recommendations were closed and sixteen (16) remain open. The final report for the follow-up audit includes thirteen (13) findings and forty-five (45) recommendations. Ten (10) of the thirteen (13) findings were repeated from prior audits, two (2) were modified repeat findings similar to prior audit findings, and there is one (1) new finding.

As noted in the *2007 Performance Audit of Privacy and Data Protection*, the contract auditors for the 2010 follow-up audit identified the primary reason for failure to progress privacy and data protection activities at the FEC is the continued use of a shared approach to privacy management and accountability.

Also since the 2007 audit, management continues to disagree with the recommendation of assigning a single Chief Privacy Officer (CPO) to ensure direct responsibility and accountability for privacy activities. Management believes that a single CPO is not necessary, and having two CPOs is beneficial because it affords the opportunity of having differing expertise and backgrounds amongst the privacy team.


Based on the *2007 Performance Audit of Privacy and Data Protection*, the *2010 Follow-up Audit of Privacy and Data Protection*, and the OIG's internal knowledge of the agency's progress of the privacy program, the OIG believes the approach of shared responsibilities, along with the CPOs' full-time responsibilities, prevent efficient and effective progress of the privacy and data protection program. In the response to the current follow-up audit report, management did not concur with eight (8) of the forty-five (45) recommendations, and concurred in part with twenty (20) of the forty-five (45) recommendations. For detailed information pertaining to the follow-up audit, see the section entitled **OIG Audit Follow-up Activity** (starting on page 7).

During this semiannual reporting period, no new hotline complaints were opened, one (1) hotline complaint, which required a significant number of interviews, was closed with no further action. The OIG has one (1) open hotline complaint as of the close of this reporting period.

In addition, there is one (1) open investigation, and one (1) investigation was closed. The closed investigation involved allegations that an employee's government email account had been breached and that a member of the employee's family had received harassing telephone calls. For more information pertaining to hotline and investigation topics, see the

sections entitled **OIG Hotline Information** (page 12) and **OIG Investigations** (page 13).

THE FEDERAL ELECTION COMMISSION



In 1975, Congress created the Federal Election Commission 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 – Cynthia L. Bauerly, Chair; Caroline C. Hunter, Vice Chair; and Commissioners Donald F. McGahn II; Matthew S. Petersen; Steven T. Walther; 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

Audit of the Federal Election Commission's Fiscal Year 2010 Financial Statements

Assignment Number: OIG – 10-01

Status: Released November, 2010

<http://www.fec.gov/fecig/financial10.pdf>

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 beginning in FY 2009.

LSC was 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 audit contract requires LSC to issue an opinion regarding whether the FEC’s financial statements and supplemental information are fairly presented in all material respects in accordance with Generally Accepted Accounting Principles. In addition, LSC audits internal controls and compliance with laws and regulations for matters relevant to the financial statements. The audit is completed in four phases: planning; review and evaluation; testing (interim and final); and reporting and work paper delivery.

The OIG is responsible for oversight of the financial statement audit, which 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 activity; 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 audit entrance conference was held on May 5, 2010. Representatives from the OIG, LSC, and FEC attended the entrance conference and discussed the audit scope, objectives, and ways to ensure an efficient and effective audit process. An audit timeline was established, along with requests to management for necessary documentation and information concerning the financial statements. The OIG reviewed LSC’s audit planning methodology and interim audit testing results and provided comments to LSC. The OIG also coordinated and attended meetings with LSC and the FEC’s Chair and Vice Chair to discuss the audit objectives and progress of the audit. At the completion of final testing the OIG reviewed LSC’s final testing workpapers and provided documented comments.

LSC prepared several notices of findings and recommendations (NFRs) which were reviewed by the OIG and then issued to FEC management for a response. During the audit, the OIG coordinated and attended regular biweekly audit status meetings with LSC and FEC management; weekly meetings were held in the month of October as the audit neared completion.

The exit conference was held November 8, 2010. During the exit conference, LSC discussed with management the finalized issues that would be presented in the 2010 financial statement audit report. In addition, LSC finalized the 2010 financial statement audit report - the report was issued November 12, 2010. The FEC received an unqualified opinion.

**Audit of the Federal Election Commission's
Fiscal Year 2011 Financial Statements**

Assignment Number: OIG – 11-01

Status: In Progress

The Office of Inspector General has begun the planning process for the Federal Election Commission's annual financial statement audit. The OIG has exercised another option year with Leon Snead & Co. to conduct the FEC's 2011 financial statement audit. The OIG has confirmed and approved the audit team with LSC for the 2011 financial statement audit and has scheduled the entrance conference for April 27, 2011.

OIG AUDIT FOLLOW-UP ACTIVITY

2010 Follow-Up Audit of Privacy and Data Protection

Assignment Number: OIG – 10-03

Status: Released March, 2011

<http://www.fec.gov/fecig/documents/2010PrivacyReport.pdf>

In September 2010, the OIG awarded a contract to the IPA firm Cherry, Bekaert & Holland (CBH) LLP to conduct a follow-up audit on a previously completed OIG audit, *2007 Performance Audit of Privacy and Data Protection – OIG-07-02* and a 2006 inspection of personally identifiable information within the FEC which was conducted by an IPA under contract with the OIG. The 2010 contract focused on determining whether the FEC has implemented audit recommendations contained in previously issued OIG audit/inspection reports on privacy.

The *2006 Inspection Report on Personally Identifiable Information* provided FEC management with thirteen (13) recommendations to correct privacy weaknesses identified during the review. In addition, in 2007 the OIG contracted with a different IPA to conduct a performance audit of privacy and data protection policies and procedures and, specifically, to determine if the FEC is complying with privacy requirements contained in section 522 of the *Consolidated Appropriations Act, 2005*.

The 2007 audit identified seven (7) significant issues and made thirteen (13) recommendations to address the audit findings, however FEC management did not agree with two (2) findings (six (6) recommendations) included in the report. Also, the 2007 audit included a follow-up review of the thirteen (13) prior-year recommendations contained in the OIG's *2006 Inspection Report on Personally Identifiable*

Information; the auditors determined that seven (7) recommendations from the 2006 inspection were fully implemented (closed) and six (6) remained open.

The OIG held a meeting with the CBH contractors on September 27, 2010 to discuss the general working arrangements and provide background information for the follow-up audit. A formal entrance conference with key FEC personnel responsible for privacy activities was held on October 13, 2010. The contractor submitted a formal audit plan and the OIG approved the plan on October 27, 2010. Based on the approved plan, the contractors requested interviews with personnel responsible for privacy activities as well as various documents that define and support FEC privacy management.

During the audit, the contractor met with both Co-Chief Privacy Officers, and other members of the privacy team to discuss the status of recommendations and privacy initiatives since the prior audits. The contractors reviewed a number of documents relating to privacy and data protection to include:

- ⌘ FEC privacy and data protection policies, procedures, standards, guidelines and bulletins;
- ⌘ Privacy reports produced by the FEC and provided to the Office of Management and Budget (OMB) as part of the annual privacy reporting requirements;
- ⌘ Risk assessments performed on FEC systems that may contain PII;
- ⌘ PII inventories of FEC divisions produced by a contractor in 2008 and 2009, and the associated report assessing controls over PII for each division;
- ⌘ Legal assessments conducted by the FEC Office of General Counsel on OMB

memorandum released since December 2007 on privacy and data protection;

- ⌘ Annual Privacy and IT Security training provided to employees and contractors; and
- ⌘ Specialized training provided to FEC managers on Systems of Records Notification (SORN) reporting requirements for systems containing PII

Further, an after-hours walkthrough was conducted by CBH and OIG to determine whether physical records containing PII and agency assets such as desktop and laptop computers, which could access PII, were adequately secured. Based on the results of the walkthrough, the contractors communicated the results to the Co-Chief Privacy Officers, the Information System Security Officer, and the Physical Security Officer, recommending immediate corrective action to secure PII and computers.

A discussion meeting was held with FEC personnel responsible for privacy activities on December 3, 2010 to communicate the initial results of the follow-up audit. Following completion of fieldwork in early January 2011, notices of findings and recommendations (NFRs) were provided to management January 6th, 13th and 20th. An exit conference was held February 7, 2011 and, based on management's written and verbal responses to the NFRs, amendments were made to the draft report. A draft report was provided to management on March 2, 2011 and official management response was received on March 16, 2011. The final report was completed March 31, 2011 and made public on the FEC OIG internet website.

The 2010 contracted follow-up audit determined that management had not fully implemented the outstanding agreed upon actions included in the *2007 Performance Audit of Privacy and Data Protection* and the *2006 Inspection Report on Personally Identifiable Information*. The follow-up audit showed

only three (3) of the nineteen (19) previous recommendations were closed and sixteen (16) remain open. The final report for the follow-up audit includes thirteen (13) findings and forty-five (45) recommendations. Ten (10) of the thirteen (13) findings were repeated from prior audits, two (2) were modified repeat findings similar to prior audit findings, and there is one new finding.

As noted in the *2007 Performance Audit of Privacy and Data Protection*, the contract auditors for the 2010 follow-up audit identified the primary reason for failure to progress privacy and data protection activities at the FEC is the continued use of a shared approach to privacy management and accountability. Also since the 2007 audit, management continues to disagree with the recommendation of assigning a single Chief Privacy Officer (CPO) to ensure direct responsibility and accountability for privacy activities. Management believes that a single CPO is not necessary, and having two CPOs is beneficial because it affords the opportunity of having differing expertise and backgrounds amongst the privacy team. In the response to the current follow-up audit report, management did not concur with eight (8) of the forty-five (45) recommendations, and concurred in part with twenty (20) of the forty-five (45) recommendations.

Based on the *2007 Performance Audit of Privacy and Data Protection*, the *2010 Follow-up audit of Privacy and Data Protection*, and the OIG's internal knowledge of the agency's progress of the privacy program, the OIG believes the approach of shared responsibilities, along with the CPOs' full-time responsibilities, prevent efficient and effective progress of the privacy and data protection program. Without one full-time person committed to ensuring 1) proper handling of PII within the agency; 2) the FEC adheres to all required federal regulations; and 3) adequate oversight and monitoring of the privacy

and data protection program, the FEC will continue to face greater challenges and continuous risk to the agency, which is reflected throughout the issues identified in the follow-up audit report.

2010 Follow-up Audit of Procurement and Contract Management

Assignment Number: OIG – 10-02

Status: In Progress

In September 2010, the OIG awarded a contract to the IPA firm of Cherry, Bekaert & Holland (CBH) LLP to conduct follow-up audits on a previously completed audit *2008 Audit of Procurement and Contract Management - OIG-08-02*. The objective of the audit follow-up review was to determine whether management implemented the agreed actions for each of fifteen (15) recommendations and whether each of the nine (9) audit findings had been fully resolved.

The OIG held a meeting with the CBH contractors on September 27, 2010 to discuss the general working arrangements and provide background information for the follow-up audit. A formal entrance conference with key FEC personnel responsible for procurement activities was held on October 14, 2010. Since then CBH staff has 1) reviewed current and prior FEC procurement policies and procedures; 2) interviewed the FEC Contracting Officer on several occasions; and 3) reviewed a sample of procurement files in order to gain an understanding of current procurement processes and develop a detailed audit plan. The contractor submitted draft audit plans to the OIG and a final audit plan was approved on March 3, 2010.

The contractors selected an initial audit sample and have commenced detailed testing to determine whether the recommendations have been fully implemented. CBH has also held interviews with FEC employees who are identified as Contracting Officer Technical Representatives (CoTRs) and Points of Contact (POCs) regarding their specific roles and responsibilities for FEC contracts included in their sample selection. The procurement follow-up audit is scheduled to be completed no later than May 31, 2011.

OIG PEER REVIEW ACTIVITY

Peer Review of the U.S. Commodity Futures Trading Commission (CFTC) OIG

Assignment Number: OIG – 10-04

Status: Completed March, 2011

Inspectors General conduct audits in accordance with Generally Accepted Government Auditing Standards. Audit organizations conducting audits in accordance with GAGAS are required to have an independent peer review every three years. 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 peer review entrance conference was held on July 16, 2010 - fieldwork was performed August 3 through 20, 2010. After the completion of fieldwork, the FEC Deputy IG and FEC OIG peer review team held a discussion meeting with the CFTC IG and staff on August 27, 2010 to communicate the initial findings noted during the peer review. The FEC OIG prepared the draft report and comment letter and provided the final drafts to CFTC OIG on December 9, 2010.

The exit conference for the peer review was held January 7, 2011 to discuss the draft report provided to CFTC OIG on December 9, 2010. The CFTC OIG provided written comments and suggested changes to the draft report on January 14, 2011. The FEC OIG reviewed the comments and suggested changes provided by CFTC OIG and made appropriate adjustments to the draft report based on the documentation and evidence reviewed and meetings held during the peer review. The FEC OIG finalized the report and comment letter and provided the final documents to CFTC OIG on February 9, 2011.

The CFTC OIG provided an official written response to the FEC OIG on March 14, 2011. The FEC OIG reviewed the CFTC OIG's responses to the final draft report and provided final comments. The FEC OIG finalized the report and provided the final peer review report and comment letter to CFTC OIG on March 31, 2011. The final peer review report contained 29 suggested recommendations for CFTC OIG to improve their system of quality control.

Peer Review of the Federal Election Commission OIG

Assignment Number: N/A

Status: In Progress

In accordance with the Council of Inspectors General on Integrity and Efficiency (CIGIE) Audit Peer Review schedule, the Federal Maritime Commission (FMC) Office of Inspector General is scheduled to perform a peer review of the Federal Election Commission OIG for 2011. The entrance conference for the peer review was held on February 17, 2011. The FEC OIG completed Appendix A: Policies and Procedures and provided the completed schedule and reference documents to FMC OIG for their review on February 18, 2011.

The FMC OIG requested the workpapers from the peer review team who conducted the FEC OIG's prior peer review in 2008. The FEC Inspector General provided approval to the prior peer review team to release the 2008 peer review workpapers to FMC OIG for their review. The FMC OIG conducted fieldwork at the FEC on March 22-23, 2011. During fieldwork, the FMC OIG selected and reviewed the FEC OIG's *Audit of the Commission's Property Management Controls* and the OIG's

monitoring documentation of the *2010 Federal Election Commission Financial Statement Audit*.

At the end of this semiannual reporting period, the FMC OIG was finalizing their analysis of the FEC OIG's audit assignments and policies and procedures to provide the FEC OIG with a draft peer review report.

OIG HOTLINE INFORMATION:

The OIG hotline exists to enable FEC employees, FEC contractors, and the public to have direct and confidential contact with the OIG. The OIG hotline consists primarily of a telephone number and email address, although the OIG may also be contacted through other means, such as the U.S. Mail, facsimile, inter-office mail, and in-person visits to the OIG suite. All allegations or referrals of fraud, waste, abuse, mismanagement, and misconduct involving FEC employees, contractors, programs, operations, property, or funds received through any means are termed “hotline complaints” per OIG policy. Once a hotline complaint has been received, a preliminary inquiry is conducted to determine whether the hotline complaint will be closed with no further action taken, referred to management or another agency, or an investigation will be initiated.

The OIG considers many factors when evaluating whether to open an investigation based on a hotline complaint, and acknowledges that every hotline complaint received by the OIG cannot be investigated and in many cases do not merit investigation. OIG policy requires that hotline complaints be evaluated on certain criteria, including the merits of an allegation, the availability of evidence, and the existing priorities, commitments, and resources of the OIG. Under this policy, hotline complaints are 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 the appropriate official for possible further review. Hotline evaluation decisions are made by the Chief Investigator, with concurrence from the Deputy IG.


During this semiannual reporting period, no new hotline complaints were opened and one (1) hotline complaint, which required a significant number of interviews, was closed with no further action. The OIG

has one (1) open hotline complaint as of the close of this reporting period.

The OIG frequently receives reports and allegations which are misdirected complaints that should have been routed to the Office of Complaints and Legal Administration within the Office of General Counsel (OGC), are outside the jurisdiction of the OIG or the FEC, or are facially unsubstantiated or invalid. For example, Section 437g of the *Federal Election Campaign Act of 1971*, as amended (FECA), sets forth strict requirements for reporting alleged violations of FECA, and FEC regulations direct that such complaints be processed through OGC; still, the OIG regularly receives complaints of alleged FECA violations, many of which are not statutorily compliant. Reviewing and, where appropriate, responding to these reports and allegations when aggregated can entail a significant amount of staff time and effort, despite the fact that they are not valid hotline complaints.

In order to capture and document these hotline contacts, the OIG has created a category for “hotline inquiries” that do not meet the criteria for hotline complaints. For this reporting period, the OIG received thirty-four (34) hotline inquiries. Fifteen (15) of the hotline inquiries were referred or redirected to other FEC offices, and ten (10) were referred or redirected to other agencies, including two (2) that were also referred or redirected to other FEC offices. No further action was taken in eleven (11) of the hotline inquiries, including those in which the OIG was merely copied in on emails, where no specific allegation or complaint was made, or where another agency was already aware of and handling the issue.

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. 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.

As of the end of the semiannual reporting period, there is one (1) open investigation, and one (1) investigation was closed. The closed investigation involved allegations that an employee's government email account had been breached and that a member of the employee's family had received harassing telephone calls. Based on the initial information, it appeared that the subject or subjects may have been other FEC employees. Complainant and witness interviews were conducted, relevant records were reviewed and government computing and mobile communications devices of several employees were seized and analyzed.

The investigation was unable to substantiate the allegation concerning the harassing telephone calls, and revealed that the complainant may actually have been the one who breached the employee's government email account, may have attempted to breach the employee's government email account once before, and may have provided false and misleading information to OIG investigators.

The Department of Justice declined to prosecute the matter, and a Report of Investigation was issued to the Commission


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:

- ⌘ During this reporting period, the OIG completed several internal projects such as updating and finalizing the OIG Audit Manual; the OIG's revised Telework Policy was also updated. In addition, the OIG completed its documentation of the OIG Records Management Process. The Records Management Process is a document the OIG utilizes to prepare OIG records for proper shipping to National Archives Records Administration for proper storage and/or destruction of official files/records.
- ⌘ The OIG met with representatives from the Office of Government Ethics (OGE) to discuss their review of the Federal Election Commission Ethics program; also reviewed final report from the OGE on the FEC Ethics program.
- ⌘ The IG accompanied four other IGs to Walter Reed Hospital to participate in the Wounded Warrior program. There they met with servicemen who had been injured and were in various stages of recovery and rehabilitation. A tour of the facilities was given, and participants were shown some of the equipment/programs used to assist in the recovery of injuries.

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



The Inspector General continues to be very involved in CIGIE. She is a member of the Executive Council, which is composed of the Chair, Vice Chair, the past Vice Chair of the PCIE, all Committee Chairmen, and one member appointed by the Chair. The Executive Council provides guidance on CIGIE initiated projects, the operating plans for each fiscal year, and the standing up of the CIGIE and the training academies. The Council meets monthly to discuss issues that will affect CIGIE.

The Inspector General also Co-Chairs the Inspector General Candidate Recommendation Panel with the Justice Department Inspector General. This panel is charged with making recommendations of qualified candidates to the White House and heads of various federal agencies to be considered for vacant Inspector General positions.

The Inspector General is Vice Chair of the Professional Development Committee. This committee is charged with ensuring there is strong, relevant training for the Inspector General community. Part of the charge of the committee, is to establish training academies for each of the professional designations in the IG community. This is an on-going project.

During this semiannual reporting period the IG also chaired and participated in interview panels to select the Executive Director of CIGIE and the Training Director of the CIGIE Training Academies.

OIG CONTACTS

The table below indicates the total amount of contacts received by the Office of Inspector General for the past six months – October 1, 2010 through March 31, 2011.

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
1,089	42	1,007	40

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, 2010 – March 31, 2011:

MEETINGS:

HOST / SPONSOR	TOPIC / SUBJECT
Council of Inspectors General on Integrity and Efficiency	Monthly Meetings Executive Council Meetings Strategic Planning Session Professional Development Committee Meetings Annual Awards Ceremony
Council of Counsels to the Inspectors General	Monthly Meetings
Assistant Inspector General for Investigations	Quarterly Meetings
Financial Statement Audit Network	Monthly Meetings
Federal Election Commission	Weekly Director’s Meetings Finance Committee Meetings Administrative Liaison Group Meetings Disaster Recovery Plan for OIG Meeting Town Hall Meeting
FEC / Office of Inspector General	Bi-weekly Staff Meetings Financial Statement Audit: Status Meeting Exit Conference Lessons Learned Meeting Entrance Conference - Follow-up Audits: Procurement and Contract Management Privacy and Data Protection Entrance Conference - Peer Review Exit Conference – 2010 Follow-up Audit of Privacy and Data Protection

TRAINING/CONFERENCES:

HOST / SPONSOR	TOPIC / SUBJECT
U.S. Postal Service / OIG	2010 Biennial National Procurement and Grant Fraud Conference
Federal Audit Executive Council	Procurement Training Conference Grant Fraud and National Procurement Fraud Task Force and Overview of Government Suspension and Debarment Process
CCH Group	TeamMate User Forum Conference
Virginia Certified Public Accountants	Ethics and Standards of Conduct for Virginia CPAs Training
Council of Inspectors General on Integrity and Efficiency	OIG Suspension and Debarment Workshop/Training Introductory Auditor Training
CIGIE/GAO	Annual Financial Statement Audit Conference
General Services Administration	GSA Appropriations Law Training
Executive Women in Government	Annual Summit Conference/Our History is our Strength
Institute of Internal Auditors	Auditing your HR Function: Assessing Risks and Developing Internal Controls Training
U.S. Department of Agriculture	Increasing Personal Effectiveness Training
Federal Election Commission	Generating Creative and Innovative Ideas: Enhancing your Creativity Training Leadership Essentials: Creating your own Leadership Development Plan Leading without Authority Training Challenges of the 21st Century Training Building your Influence as a Leader FEC Systems Access Workflow System Refresher Training Mandatory Ethics Training Civility in the Workplace Presentation Women's History Month Presentation

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	15
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)	22
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)	20
Section 5(a)(9)	Recommendations that Funds be put to Better Use (Table II)	21
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
PII Inspection Report ¹	OIG-06-04	11/06	6	1	5
2007 Performance Audit of Privacy and Data Protection ²	OIG-07-02	12/07	13	2	11
2008 Audit of Procurement and Contract Management ³	OIG-08-02	09/09	15	0	15
Audit Follow-up Review of the FEC's Employee Transit Benefit Program	OIG-08-03	07/09	51	0	51
Audit of the Commission's Property Management Controls	OIG-09-02	03/10	36	0	36

¹ The 5 open recommendations are included in the recent *2010 Follow-up Audit of Privacy and Data Protection*.

² The 11 open recommendations are included in the recent *2010 Follow-up Audit of Privacy and Data Protection*.

³ An audit follow-up of the 15 open recommendations is currently in progress.

APPENDIX A: PEER REVIEW RESULTS

Peer Review Conducted by FEC OIG	Date Report Issued	Recommendations
Commodity Futures Trade Commission (CFTC) OIG	March 31, 2011	29

The FEC OIG is currently undergoing a peer review being conducted by the Federal Maritime Commission OIG.

Federal Election Commission Office of Inspector General

A close-up, high-contrast photograph of a human eye, looking directly at the viewer. The eye is the central focus, with the iris and pupil clearly visible. The background is blurred, showing the skin and eyelashes.

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Visit or write to us at 999 E Street, N.W., Suite 940, Washington DC 20463

Individuals including FEC and FEC contractor employees are encouraged to alert the OIG to fraud, waste, abuse, and mismanagement of agency programs and operations. Individuals who contact the OIG can remain anonymous. However, persons who report allegations are encouraged to provide their contact information in the event additional questions arise as the OIG evaluates the allegations. Allegations with limited details or merit may be held in abeyance until further specific details are reported or obtained. Pursuant to the Inspector General Act of 1978, as amended, the Inspector General will not disclose the identity of an individual who provides information without the consent of that individual, unless the Inspector General determines that such disclosure is unavoidable during the course of an investigation. To learn more about the OIG, visit our Website at: <http://www.fec.gov/fecig/fecig.shtml>

Together we can make a difference.