

***FEDERAL ELECTION  
COMMISSION***



***OFFICE OF THE  
INSPECTOR GENERAL***

***999 E STREET, N.W., SUITE 940  
WASHINGTON, DC 20463***

***OCTOBER 1, 2006 – MARCH 31, 2007***

***MAY 2007***



FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20463

OFFICE OF THE CHAIRMAN

May 29, 2007

The Honorable Nancy Pelosi  
Speaker of the House of Representatives  
Washington, D.C. 20515-6501

Dear Madam Speaker:

Pursuant to the Inspector General Act of 1978, as amended, the Federal Election Commission submits the Inspector General's Semiannual Report to Congress. The report summarizes the FEC's Inspector General's activity from October 1, 2006 through March 31, 2007. During this reporting period, the FEC's Inspector General completed the annual audit of the FEC's financial statements, an audit of the FEC's Employee Transit Benefit Program, and reviewed the FEC's protections for sensitive personal information. The Inspector General did not issue any reports that identified questioned costs or recommended that funds be put to better use.

The audit of the FEC's financial statements resulted in an unqualified (clean) opinion on five of the six required statements; the FEC's Balance Sheet, Statement of Changes in Net Position, Statement of Budgetary Resources, Statement of Financing, and Statement of Custodial Activity. The audit also found no instances of non-compliance with applicable laws and regulations. However, the auditors issued a qualified opinion regarding the FEC's Statement of Net Cost and identified some internal control weaknesses. The Statement of Net Cost details the allocation of costs between internal FEC programs and was raised in previous audits as an area of concern. In response to the previous audits, FEC management worked diligently throughout FY2006 to implement a new cost allocation process. As noted in the attached report, the Inspector General believes "the new system will yield further improvements in internal controls and reporting of FEC program costs in fiscal year 2007 and beyond."

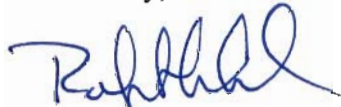
In addition to the significant improvements made in FY2006, we are continuing to improve our cost allocation process to ensure that it completely meets our standards and those of the auditors. Moreover, to further address the issues discussed in the auditor's report, FEC management has undertaken an effort to transition several administrative and financial functions to an outside, certified provider. The FEC is working closely with the Office of Management and Budget (OMB) to ensure this transition is consistent with OMB's Line of Business requirements, and has received positive feedback from OMB for its efforts to date. This transition will not only eliminate several of the remaining weaknesses identified in the audit, but is also expected to reduce administrative overhead.

Letter to the Hon. Nancy Pelosi  
May 29, 2007  
Page 2

The audit of the FEC's Transit Benefit Program found that the FEC is managing the program effectively. The OIG suggested several additional improvements to the program, and the FEC will incorporate those suggestions into a comprehensive review of our procedures we are undertaking to ensure the program continues to operate effectively. Finally, the report discusses the completion of an inspection on Personally Identifiable Information (PII). This evaluation concluded that the FEC has taken the necessary steps to protect sensitive personal information. The evaluation also identified additional safeguards the FEC could implement to further protect information, and the FEC is in the process of analyzing their feasibility given current funding levels.

The Commission appreciates and shares the Inspector General's commitment to sound financial and management practices, and we anticipate a continued cooperative working relationship as management takes appropriate measures to improve operations of the Commission. Copies of this semiannual report are being provided to the Chairman and Ranking Members of the FEC's oversight committees.

Sincerely,

A handwritten signature in blue ink, appearing to read "R. Lenhard", with a stylized flourish at the end.

Robert D. Lenhard  
Chairman

Enclosure

MANAGEMENT REPORT ON FINAL ACTION  
ON AUDITS WITH QUESTIONED COSTS  
FOR THE SIX-MONTH PERIOD ENDING MARCH 31, 2007

	<u>Number of Audit Reports</u>	<u>Questioned Costs</u>	<u>Unsupported Costs</u>
A. Audit reports for which no management decision has been made by commencement of the reporting period	0	0	[0]
B. Audit reports issued during the reporting period	0	0	[0]
Subtotals (A + B)	0	0	[0]
C. Audit Reports for which a management decision was made during the reporting period	0	0	[0]
(i) dollar value of disallowed costs	0	0	[0]
(ii) dollar value of costs not disallowed	0	0	[0]
D. Audit Reports for which no management decision has been made by the end of the reporting period	0	0	[0]
E. Audit Reports for which no management decision was made within six months of issuance	0	0	[0]

MANAGEMENT REPORT ON FINAL ACTION  
ON AUDITS WITH RECOMMENDATION TO PUT FUNDS TO BETTER USE  
FOR THE SIX-MONTH PERIOD ENDING MARCH 31, 2007

	<u>Number of Audit Reports</u>	<u>Funds to be Put to Better Use</u>
A. Audit reports for which no management decision has been made by the commencement of the reporting period	0	0
B. Audit reports issued during the reporting period	0	0
C. Audit Reports for which a management decision was made during the reporting period	0	0
(i) dollar value of recommendations that were agreed to by management	0	0
- based on proposed management action	0	0
- based on proposed legislative action	0	0
(ii) dollar value of recommendations that were not agreed to by management	0	0
D. Audit Reports for which no management decision has been made by the end of the reporting period	0	0
E. Audit Reports for which no management decision was made within six months of issuance	0	0



## FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

### *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, 2006 – March 31, 2007.

Significant work completed includes:

- Audit of the FEC's Fiscal Year 2006 Financial Statements;
- Audit of the FEC's Employee Transit Benefit Program; and
- Inspection Report on Personally Identifiable Information (PII)

The work and complexity of the OIG continues to grow as the audits required by statute increase and the number of hotline complaints received continue to rise.

While the OIG has met these challenges and adjusted current resources to reflect the work being done, I am growing increasingly concerned with the lack of resources available to the OIG. I had hoped to see an increase in staffing this fiscal year, but in the current FEC management plan, no additional personnel is anticipated for the office. I will continue to monitor this situation during the upcoming months.

During this reporting period, the FEC saw the new senior management team positions filled. A new Deputy Staff Director for Management, Chief Compliance Officer, Communications Officer, and Chief Financial Officer all arrived during the past six months. The Staff Director and her management team are providing a new perspective on the agency and its employees, and the OIG is looking forward to developing a good working relationship with the senior management team.

I would like to thank the OIG staff for their continued commitment to the mission of the Office of Inspector General.

A handwritten signature in cursive script, reading "Lynne A. McFarland".

Lynne A. McFarland  
Inspector General  
Federal Election Commission

April 30, 2007

# ***TABLE OF CONTENTS***

EXECUTIVE SUMMARY-----	1
THE FEDERAL ELECTION COMMISSION-----	4
OIG AUDIT ACTIVITY-----	6
OIG INSPECTION ACTIVITY-----	14
OIG HOTLINE COMPLAINTS-----	16
OIG INVESTIGATIONS-----	16
ADDITIONAL OFFICE OF INSPECTOR GENERAL ACTIVITY-----	17
OIG CONTACTS-----	18
ECIE AND PCIE ACTIVITY-----	19
REPORTING REQUIREMENTS-----	21
TABLE I - QUESTIONED COSTS-----	22
TABLE II - FUNDS PUT TO BETTER USE-----	23
TABLE III - SUMMARY OF AUDIT REPORTS WITH CORRECTIVE ACTIONS OUTSTANDING FOR MORE THAN SIX MONTHS-----	24
FEC/OIG STRATEGIC PLAN – FY 2005-2010-----	25
CONTACTING THE OFFICE OF INSPECTOR GENERAL-----	26

## ***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 necessity for corrective action.

This semiannual report includes the major accomplishments of the Office of Inspector General, as well as relevant information regarding additional OIG activities. The executive summary highlights the most significant activities of the OIG. Additional details pertaining to each activity can be found in subsequent sections of this report.

The ***Audit of the FEC's Fiscal Year 2006 Financial Statements – OIG-06-02*** was completed and released ***November, 2006***. Under a contract supervised by the OIG, the independent certified public accounting firm Clifton Gunderson LLP (CG-LLP) performed the audit of the FEC's FY 2006 financial statements. The OIG was responsible for 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 Government Auditing Standards, and OMB Bulletin No. 01-02 *Audit Requirements for Federal Financial Statements*; and 5) other procedures the OIG deems necessary to oversee the contract and audit.

The results of the financial statement audit were detailed in three reports: *Opinion on the Financial Statements; Report on Internal Control*; and the *Report on Compliance with Laws and Regulations*. The results of CG-LLP's tests of compliance with laws and regulations described in the audit report disclosed no instances of noncompliance with the laws and regulations that are required to be



reported under *Government Auditing Standards* and OMB Bulletin No. 06-03 (*see the section entitled **OIG Audit Activity located on page 6***)

The ***Audit of the FEC's Employee Transit Benefit Program – OIG-06-01 – February, 2007*** was also completed and released during this reporting period. The OIG initiated the audit of the FEC's Employee Transit Benefit Program in response to a 2005 OIG hotline complaint alleging that some participants received transit benefits while on extended business travel, which is a violation of FEC policy.

The OIG conducted the audit with the objectives of assessing program policies and operating procedures for compliance with applicable regulations; verifying employee compliance with program participation requirements; and ensuring that the appropriate internal controls are in place. The OIG concluded that the FEC's Employee Transit Benefit Program policy is compliant with the intent of Federal regulations, to encourage employees' commute on mass transit. However, the OIG made 25 recommendations to aid in improving management of the transit benefit program (*see the section entitled **OIG Audit Activity located on page 11***)

On June 23, 2006, the Office of Management and Budget (OMB) issued *Memorandum M-06-16, Protection of Sensitive Agency Information* recommending agencies take all necessary and reasonable measures to protect personally identifiable information (PII), and swiftly eliminate significant vulnerabilities to the sensitive information entrusted to them.

During the previous reporting period, the OIG, in conjunction with Clifton Gunderson LLP, completed phase one of this two part inspection to ensure FEC's compliance with OMB Memorandum M-06-16. During this period the OIG completed phase two and provided FEC management with the ***Inspection Report on Personally Identifiable Information (PII) – OIG-06-04 – November, 2006***. The inspection included only

controls as they relate to the protection of sensitive Commission information and did not include controls of computer processing beyond protecting this data (*see the section entitled **OIG Inspection Activity** located on page 14*).

At the end of this period, the OIG had eleven hotline complaints at various stages; seven pending; two in progress; and two closed, with one being referred to management for administrative action (*see the section entitled **OIG Hotline Complaints** located on page 16*).

The audits performed by the OIG are conducted in accordance with the *Government Auditing Standards* issued by the Government Accountability Office (GAO). The investigations carried out by the OIG comply with the *Quality Standards for Investigations* developed by the President's Council on Integrity and Efficiency (PCIE) and the Executive Council on Integrity and Efficiency (ECIE).

## ***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. At present there are five members - the current Chairman and Vice Chairman of the Federal Election Commission are Robert D. Lenhard and David M. Mason respectively. The remaining three Commissioners are Hans A. von Spakovsky, Steven T. Walther, and Ellen L. Weintraub. 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.

## ***OFFICE OF INSPECTOR GENERAL***

*The Inspector General Act of 1978* (P.L. 100-504), as amended in 1988, 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 Commissioners and Congress fully and currently informed about problems and deficiencies in FEC agency programs and operations, and the need for corrective action.

The mission of the OIG is to be an independent, objective voice that aids the Commission by promoting positive change, accountability and integrity. An inventory of suggested

audits, investigations, and inspections received from a variety of sources is maintained. The most important challenges are identified and the final step is to plan and conduct audits, investigations, and inspections that address those challenges.

All Commission offices are responsible for monitoring and evaluating the programs entrusted to them and reporting information or incidences, needing further audit and/or investigation, to the Inspector General. The OIG will continue its commitment to work with the Commission to ensure the efficiency, effectiveness, and integrity of agency programs. We are proud of our past accomplishments and expect our future endeavors will be significant in combating fraud, waste, abuse, and mismanagement within the Federal Election Commission.

# OIG AUDIT ACTIVITY

## *Audit of the Federal Election Commission's Fiscal Year 2006 Financial Statements*

**Assignment Number: *OIG – 06-02***

**Release Date: *November, 2006 – <http://www.fec.gov/fecig/financial06.pdf>***

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

In accordance with the *Accountability of Tax Dollars Act of 2002*, the FEC prepared financial statements for the 2006 fiscal year in accordance with Office of Management and Budget (OMB) Circular No. A-136, *Financial Reporting Requirements*. The *Chief Financial Officers Act of 1990 (Public Law 101-576, commonly referred to as the "CFO Act")*, as amended, requires the FEC IG, or an independent external auditor selected by the Inspector General, to audit the agency financial statements.

Under a contract supervised by the OIG, the independent certified public accounting firm Clifton Gunderson LLP (CG-LLP) performed the audit of the FEC's FY 2006 financial statements. The OIG was responsible for 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 Government Auditing Standards, and OMB Bulletin No. 01-02 *Audit Requirements for Federal Financial Statements*; and 5) other procedures the OIG deems necessary to oversee the contract and audit.

The results of the financial statement audit were detailed in three reports: *Opinion on the Financial Statements*; *Report on Internal Control*; and the *Report on Compliance with Laws and Regulations*.

### ***Opinion on the Financial Statements:***

The audit included an examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements. The audit also included assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall principal statements' presentation.

In addition CG-LLP audited the balance sheets of the Federal Election Commission as of September 30, 2006 (FY 2006) and 2005 (FY 2005), and the related statements of net cost, changes in net position, budgetary resources, financing, and custodial activity for the years then ended.

In FY 2006 and 2005, CG-LLP was not able to obtain sufficient competent audit evidence to support the allocation of program costs reported on the statements of net cost. As a result, CG-LLP was not able to apply auditing procedures necessary to conduct the audit in accordance with the standards and the OMB guidance mentioned above. Therefore, CG-LLP issued a qualified opinion on the statements of net cost.

### ***Report on Internal Control:***

CG-LLP's planning and performance of the audit included consideration of the FEC's internal control over financial reporting. The CG-LLP auditors obtained an understanding of the FEC's internal control; determined whether internal controls had been placed in operation;

assessed control risk; and performed tests of controls in order to determine auditing procedures for the purpose of expressing an opinion on the financial statements. The auditors limited their internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 06-03 and consequently CG-LLP did not provide an opinion on internal control.

Internal control as it relates to the financial statements, is a process, affected by agency's management and other personnel, designed to provide reasonable assurance of the following: 1) transactions are properly recorded, processed, and summarized to permit preparation of the financial statements and assets are safeguarded against loss from unauthorized acquisition, use or disposition; 2) transactions are executed in accordance with laws governing the use of budget authority and other laws and regulations that could have a direct and material effect on the financial statements and other laws and regulations identified by OMB; and 3) transactions and other data that support reported performance measures are properly recorded, processed, and summarized to permit the preparation of performance information in accordance with criteria stated by management.

In performing the testing of internal control necessary to achieve the objectives in OMB Bulletin No. 06-03, the auditors identified matters relating to significant deficiencies in the design or operation of FEC's internal control. The testing of internal control identified both reportable conditions and material weaknesses. The American Institute of Certified Public Accountants (AICPA) categorizes reportable conditions as matters coming to the auditor's attention relating to significant deficiencies in the design or operation of the internal control that, in the auditor's judgment, could adversely affect the agency's ability to record, process, summarize,

and report financial data consistent with the assertions by management in the financial statements.

Material weaknesses are reportable conditions in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

**Report on Compliance with Laws and Regulations:**

FEC management is responsible for complying with laws and regulations applicable to the agency. To obtain reasonable assurance about whether FEC's financial statements are free of material misstatements, CG-LLP performed tests of compliance with certain provisions of laws and regulations, non-compliance with which could have a direct and material effect on the determination of financial statement amounts, and certain laws and regulations specified in OMB Bulletin No. 06-03, such as the *Anti-Deficiency Act* and the *Prompt Payment Act*.

The results of CG-LLP's tests of compliance with laws and regulations described in the audit report disclosed no instances of noncompliance with the laws and regulations that are required to be reported under *Government Auditing Standards* and OMB Bulletin No. 06-03.

In addition to the three reports issued in relation to the FY 2006 audit, a management letter discussing certain conditions involving the various accounting, operating, and procedural matters as they relate to the FEC was issued. Additionally, the OIG performed an evaluation of CG-LLP's audit performance



and the evaluation disclosed no instances where CG-LLP did not comply with *Government Auditing Standards*.

The FEC's continued commitment to sound financial management resulted in improvement in several areas during fiscal year 2006. The FEC implemented a new cost allocation process in fiscal year 2006. The Inspector General believes the new system will yield further improvements in internal controls and reporting of FEC program costs in fiscal year 2007 and beyond.

## ***OIG AUDIT ACTIVITY (CONTINUED)***

### ***Audit of the Commission's Employee Transit Benefit Program***

***Assignment Number: OIG – 06-01***

***Release Date: February, 2007***

During this reporting period the OIG completed and released the ***Audit of the Commission's Employee Transit Benefit Program***. The OIG initiated the audit of the FEC's Employee Transit Benefit Program in response to a 2005 OIG hotline complaint alleging that some participants received transit benefits while on extended business travel, which is a violation of FEC policy. The FEC's Employee Transit Benefit Program is a subsidy intended to encourage employees to commute to and from work by means other than single-occupant vehicles. The employee benefit program had not been reviewed since 1994 and considering the cash equivalent nature of the program benefits and the complaint, the OIG believed that an audit of the program would be beneficial.

The OIG conducted the audit with the objectives of assessing program policies and operating procedures for compliance with applicable regulations; verifying employee compliance with program participation requirements; and ensuring that the appropriate internal controls are in place. The audit fieldwork was conducted between February 2006 and November 2006. The audit scope included a review of program activity from January 2003 through July 2006.

FEC Directive 54, *Employee Transit Benefit Program*, dated August 2001, requires employees to reduce their monthly transit benefit when they do not take public transportation for the majority of the month. The OIG's audit substantiated the OIG hotline complaint allegation that some employees were not adhering to the program directive. In fact, 50 employees inappropriately claimed \$2,494 in transit benefits of which they were not entitled given their extended absence from

the FEC. According to the program directive, it is the employee's responsibility to reduce the transit benefit received in the event of an extended absence from the office. Clear program policies and procedures needed to be developed to provide participants with specific instructions on how adjustments should be made.

Furthermore, the OIG discovered three employees who were allowed to inappropriately participate in both the transit benefit program and the subsidized parking program. The three employees had been issued an FEC paid parking permit and also received the transit subsidy for several months during the period reviewed. In fact, two of the three employees worked in one of the program offices responsible for administering the Employee Transit Benefit Program. Although the practice was not consistent with the program directive, the OIG found no evidence of misuse of the benefit by the three employees.

The OIG concluded that the FEC's Employee Transit Benefit Program policy is compliant with the intent of Federal regulations, to encourage employees' commute on mass transit. However, the OIG believes that the current directive needs to be improved since the policy does not include guidelines for proper management of SmartBenefits. Moreover, the OIG noted that the FEC 1) does not have written operating procedures to effectively implement program policy; 2) program staff did not always follow the provisions of the program's policy; and 3) program documentation was not properly maintained.

Additionally, the OIG found the program office failed to properly suspend and remove program participants upon separation from the agency. As a result, former employees no longer eligible for the benefit had access to \$30,935 in FEC funds, of which \$1,972 was inappropriately claimed by former employees. Further, while reviewing employee separations, the OIG also identified three ineligible employees who claimed \$527 in transit subsidies while on administrative leave. The OIG identified several employees who separated from the agency, but failed to return \$2,101 of unused transit benefits.

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 and that ineligible persons do not have access to FEC transit benefits. Considering this, the OIG made 25 recommendations to aid in improving management of the transit benefit program.

Management generally agreed with the audit findings and recommendations, and plans to implement corrective action to address the weaknesses noted during the audit.

## ***OIG INSPECTION ACTIVITY:***

### ***Inspection Report on Personally Identifiable Information (PII)***

***Assignment Number: OIG – 06-04***

***Release Date: November, 2006 (non-public – internal use only)***

During the previous reporting period, the OIG, in conjunction with Clifton Gunderson LLP, completed phase one of this two part inspection to ensure FEC's compliance with OMB Memorandum M-06-16, *Protection of Sensitive Agency Information*. During this period the OIG completed phase two and provided FEC management with the ***Inspection Report on Personally Identifiable Information (PII) – OIG-06-04 – November, 2006.***

Sensitive PII is defined by OMB as “any information about an individual maintained by an agency, including, but not limited to, education, financial transactions, medical history, and criminal or employment history and information which can be used to distinguish or trace an individual's identity, such as their name, social security number, date and place of birth, mother's maiden name, biometric records, etc., including any other personal information which is linked or linkable to an individual.” Information systems can be either electronic or manual.

The inspection included only controls as they relate to the protection of sensitive Commission information and did not include controls of computer processing beyond protecting this data. The control objectives were specified by the President's Council on Integrity and Efficiency (PCIE).

Based on the evaluation of phase two, the OIG concluded that the FEC has taken steps to protect its sensitive personal information. Specifically, the FEC has categorized all portable devices as containing or processing personally

identifiable information and is designing security controls (hard drive encryption and password protection) to protect these devices. However, controls could be further enhanced to guarantee the protection of sensitive information therefore, the OIG provided management with four recommendations to ensure additional protection of PII.

Due to the sensitive nature of the investigation, the OIG did not make the report available to the general public and limited distribution within the Commission.

## ***OIG HOTLINE COMPLAINTS:***

The Office of Inspector General established a hotline to enable employees and others to have direct and confidential contact with the OIG. The OIG receives complaints through various means such as U.S. mail, telephone, e-mail, and personal visits to the OIG. Once a hotline complaint has been received, a preliminary inquiry is conducted. When the inquiry has been completed, the hotline complaint can be closed with no further action taken, referred to management for action, or closed and an investigation opened on the issue.

[HL-06-04, Alleged Misconduct, Misuse of Government Property](#) - the OIG referred to the Assistant U.S. Attorney's Office (AUSA) for the District of Columbia allegations of criminal misuse of government property. The AUSA declined to prosecute and referred the matter to the agency for administrative action. As a result of the AUSA's declination, the OIG referred the matter to FEC management for administrative action. Management determined two employees had misused government cellular telephones by making unauthorized personal calls. One of the employees was issued a written letter of reprimand and agreed to repay the FEC \$942.31 for the unauthorized personal calls. The other employee was issued an oral reprimand and agreed to repayment of \$129.15.

In a related matter, management determined a third employee had misused a government vehicle and cellular telephone. The employee resigned from the agency after being advised the agency was prepared to propose the employee's removal due to the misconduct.

At the end of this period, the OIG had eleven hotline complaints at various stages; seven pending; two in progress; and two closed, with one being referred to management for administrative action.

## ***OIG INVESTIGATIONS:***

Currently one criminal investigation is open.

## ***ADDITIONAL OIG ACTIVITY:***

In addition to conducting audits, inspections, and investigations, the OIG performs, and is involved in a variety of other projects and activities. All legislation, as compiled by the Commission's Congressional Affairs Office, is reviewed by the Inspector General, as required by the *Inspector General Act of 1978*, as amended. The Inspector General reviews and provides comments, when appropriate, on all legislation provided by the PCIE/ECIE Legislative Committee. In addition, the Inspector General routinely reads all Commission agenda items.

- ✚ In response to a data call for the *FY 2006 Progress Report to the President*, the OIG prepared a written narrative summarizing the work conducted during the disclosure audit. The narrative provided a brief description of the review completed, applicable recommendations, and actions taken by management.
- ✚ The OIG reviewed and provided comments on a proposed FEC directive to establish standards and procedures for processing time and attendance information (payroll) for the FEC Commissioners. The draft directive was established to ensure Commissioners are paid in accordance with applicable laws, regulations, and guidance. The directive establishes the authority and accountability of officials involved in the time reporting and payroll process. The OIG also provided comments on a draft personnel instruction entitled "Disciplinary Actions." Comments on the personnel instruction included input on the OIG's responsibilities to investigate allegations of misconduct, fraud, waste, and abuse.
- ✚ The Inspector General met with the Advisor to the High Commissioner for Planning, Rabat, Morocco. The visit was arranged as part of the Department of States' International Visitor Leadership Program. A



discussion of the role and responsibilities of the Inspector General was held.

### ***OIG CONTACTS:***

The table below is a breakdown of the total amount of contacts received through the Office of Inspector General for the past six months – October 1, 2006 – March 31, 2007. These contacts were made through various sources such as telephone calls, personal visit to the OIG, e-mails, faxes, and U.S. mail:

Month	Contacts	OIG Action	No Action Necessary	Forwarded for Action
October	173	6	164	3
November	62	2	54	6
December	75	1	72	2
January	160	1	102	1
February	46	5	60	3
March	53	2	83	2
<b>TOTAL</b>	<b>569</b>	<b>17</b>	<b>535</b>	<b>17</b>

## ***ECIE AND PCIE ACTIVITY:***

The President's Council on Integrity and Efficiency (PCIE) and the Executive Council on Integrity and Efficiency (ECIE) were established May 11, 1992 by Executive Order 12805, and are chaired by the Office of Management and Budget, Deputy Director for Management. In addition to the Inspectors General, the councils include representatives from the Office of Personnel and Management, the Office of Government Ethics, the Office of Special Counsel, and the Federal Bureau of Investigations.

The PCIE/ECIE have identical functions and responsibilities to coordinate and enhance governmental efforts to promote integrity and efficiency, and to detect and prevent fraud, waste and abuse in Federal programs. The PCIE is comprised of IGs appointed by the President of the United States. The ECIE consists of IGs appointed by the head of their respective agencies.

The Inspector General is an active member of the Executive Council on Integrity and Efficiency and has provided input on a number of initiatives proposed by the Council. The ECIE serves as a forum for the exchange of views for the Inspector General Community. The IG attends regular meetings held by the ECIE, and the IG also participates in joint meetings and activities with the President's Council on Integrity and Efficiency.

The OIG staff, which consists of the Inspector General, the Deputy Inspector General, an Auditor (position currently vacant), and the Special Assistant to the Inspector General, continually seeks ways to improve their performance, skills and knowledge.

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, 2006 through March 31, 2007:

<b>Host / Sponsor</b>	<b>Topic / Subject</b>
ECIE	Monthly Meetings
PCIE	Financial Statement Audit Network (FSAN) Meeting
PCIE / GAO	Financial Statement Audit Roundtable Discussion
Association of Certified Fraud Examiners	Embezzling From Employer/Bank Fraud
Office of Government Ethics (OGE)	2007 National Government Ethics Conference – Strengthening the Federal Ethics Community
Virginia Society of Certified Public Accountants	Ethics 2006 – Your License Depends On It
Association of Government Accountants (AGA)	Leadership Meeting
Federal Audit Executive Counsel (FAEC)	Quarterly Meeting
Inspection & Evaluation (I&E) Committee	Roundtable Discussion
SkillSoft/SkillPort	IG-E Learning
Federal Election Commission	Ethics & EEO Overview
Federal Election Commission	OIG Senior Management On-Site Retreat
Federal Election Commission	Audio Seminar on Strategies to Prevent The Misuse of Computers in the Workplace
Federal Election Commission	Manager’s Meeting
Federal Election Commission	Strategic Career Management Seminar
Federal Election Commission	The Administrative Assistants Conference
Federal Election Commission	Administrative Liaison Group Meetings

## ***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:

<b><u>IG ACT</u></b>	<b><u>PAGE</u></b>
Section 4(a)(2)      Review of Legislation-----	17
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)-----	24
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-----	6
Section 5(a)(8)      Questioned and Unsupported Costs-(Table I)-----	22
Section 5(a)(9)      Recommendations that Funds be put to Better Use (Table II)-----	23
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**

		<b>DOLLAR VALUE (IN THOUSANDS)</b>	
	<b>NUMBER</b>	<b>QUESTIONED COSTS</b>	<b>UNSUPPORTED COSTS</b>
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**

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

**TABLE III:**

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

**FINANCIAL STATEMENT AUDITS**

<u>Fiscal Year</u>	<u>Report Number</u>	<u>Repeat*</u>	<u>Recommendations</u>		<u>Total</u>
			<u>New</u>	<u>Closed</u>	
Fiscal Year 2004	OIG-04-01	0	42	12	30
Fiscal Year 2005	OIG-05-01	30	11	15	26
Fiscal Year 2006	OIG-06-02	26	13	0	39

**\* Repeat column represents recommendations from the prior fiscal year report that are still applicable to the current fiscal year report.**

**OIG Products:** *To provide products and services that promote positive change in FEC policies, programs, and operations.*

**Objective A:** Deliver timely, high-quality products and services that promote positive change.

**Strategy:**

- establish common OIG standards for communicating results;
- conduct quality assurance programs;
- solicit appropriate internal and external review and comment;
- comply with applicable statutory guidelines and standards;
- set realistic and appropriate milestones.

**Objective B:** Address priority issues and concerns of the Commission, Management, and Congress.

**Strategy:** Perform work that supports;

- Federal Election Commission and Congressional priorities;
- Strategic Management Initiative efforts;

Focus OIG attention in the following areas of emphasis:

- managing change;
- resource allocation in relation to policy objectives;
- delivery of client service;
- causes of fraud and inefficiency; and,
- automation and communication.

**Objective C:** Follow-up and evaluate results of OIG products and services to assess their effectiveness in promoting positive change.

**Strategy:**

- Identify, as appropriate, lessons learned to improve timeliness and quality; and,
- conduct follow-up reviews to determine if intended results have been achieved.

**Objective D:** Satisfy customers, consistent with the independent nature of the OIG.

**Strategy:**

- establish professional communication and interaction with customers to promote the open exchange of ideas;
- incorporate customer feedback, as appropriate; and,
- be open to customer-generated solutions and options.

**Performance Measures:** Determine the timeliness and quality of products and services; their effectiveness in promoting positive change; and, reach agreement with management on at least 90% of recommendations within six months of the report issue date.

**OIG Process:** *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.*

**Objective A:** Maintain a dynamic strategic planning process.

**Strategy:**

- periodically review and update the strategic plan to address changing OIG and FEC priorities; and,
- identify factors that influence organizational change and develop short and long term plans to address them.

**Objective B:** Plan and conduct cost-effective work that address critical issues and results in positive change.

**Strategy:**

- solicit FEC and Congressional input in planning OIG activities;
- develop internal planning mechanisms to support FEC goals and priorities;
- ensure that priorities of IG are effectively communicated; and,
- identify specific targets for OIG review that are the most cost-effective

**Objective C:** Identify customer needs and provide products and services to meet them.

**Strategy:**

- establish new customer feed back mechanisms;
- consider and evaluate customers feedback when planning and developing products and services;
- respond to Congressional inquiries and request for briefing and testimony;
- promote open exchange of ideas and information through outreach and through use of e-mail; and,
- receive, evaluate, and respond, as appropriate, to information received through the OIG hotline and other sources.

**Objective D:** Implement efficient, effective, and consistent resolution and follow-up procedures.

**Strategy:**

- ensure that IG follow-up procedures are followed and that management is aware of their role in the process;
- establish common OIG standards for terminology, date maintenance and communications.

**Objective E:** Establish a positive and productive working environment.

**Strategy:**

- reengineer or streamline OIG procedures to achieve the most effective use of resources; and,
- ensure that necessary technologies, evolving and otherwise, are made available to staff as needed.

**Performance Measures:** An annual audit plan is issued; strategic plan is periodically reviewed; and, necessary technology is provided to staff to enable them to most efficiently perform their duties.

**OIG Staff:** *To maintain a skilled and motivated work force in an environment that fosters accountability, communications, teamwork, and personal and professional growth.*

**Objective A:** Attract and retain well-qualified, diverse and motivated employees.

**Strategy:**

- develop and implement a comprehensive recruiting program that attracts a broad population with the knowledge, skills, abilities, and expertise necessary to make meaningful contributions to the OIG;
- assess employee satisfaction and develop strategies to address employee concerns;
- identify reasons for staff departures and develop plans to foster greater staff retention; and,
- adhere to EEO principles and strive to maintain a diverse work force.

**Objective B:** Provide training and developmental opportunities to employees.

**Strategy:**

- assess training needs in relation not only to employee but also office needs as well;
- ensure that Government Auditing Standards in relation to training are adhered to; and,
- maintain a reporting system to ensure that educational requirements are met.

**Objective C:** Assess, recognize, and reward, when possible, performance that contributes to achieving the OIG mission.

**Strategy:**

- develop and articulate expectations for each employee's performance, including contributions in meeting the mission & goals of the OIG; and,
- ensure that rewards, when possible, are given in recognition of exceptional employee performance.

**Objective D:** Create and maintain a working environment that promotes teamwork and effective communication.

**Strategy:**

- ensure that communication between employees is open;
- provide employees with the tools and incentives they need to adequately perform their duties.

**Performance Measures:** All employees meet the training requirements; all employees have performance standards; and all employees meet the basic requirements for the position in which they were hired to perform.

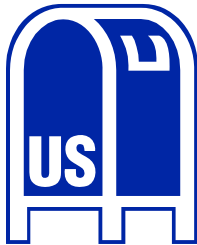


## ***CONTACTING THE OFFICE OF INSPECTOR GENERAL***

The success of the OIG mission to prevent fraud, waste, and abuse depends on the cooperation of FEC employees (and the public). There are several ways to report questionable activity.

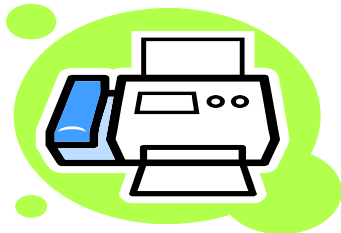


Call us at **202-694-1015** or toll-free **1-800-424-9530**. A confidential or anonymous message can be left 24 hours a day/7 days a week.



Write or visit us - we are located at: **Federal Election Commission  
Office of Inspector General  
999 E Street, N.W., Suite 940  
Washington, D.C. 20463**

Mail is opened by OIG staff members only.



You can also fax (202-501-8134) or contact us by e-mail at: **oig@fec.gov**.  
Website address: **<http://www.fec.gov/fecig/fecig.shtml>**

Individuals may be subject to disciplinary or criminal action for knowingly making a false complaint or providing false information.