



SEMIANNUAL REPORT TO CONGRESS
OCTOBER 1, 2013 – MARCH 31, 2014

MAY 2014



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

OFFICE OF THE CHAIRMAN

May 19, 2014

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, 2013 through March 31, 2014.

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 opinion on the required statements: the FEC's Balance Sheet as of September 30, 2013, and the related Statements of Net Costs, Changes in Net Position, Budgetary Resources, and Custodial Activity for the year then ended. This marks the fifth consecutive year with no material weaknesses identified. The auditors also identified several issues requiring attention with respect to Information Technology security. The response of FEC management to the issues raised by the auditors appears in the report, which was issued on December 12, 2013.

During the semiannual period, the OIG also completed its Review of Outstanding Recommendations, which was released in February 2014. As noted in the *Semiannual Report to Congress*, a written response from FEC management that was provided on March 4, 2014 is under review in OIG.

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, appearing to read "Lee E. Goodman".

Lee E. Goodman
Chairman

enclosure

MANAGEMENT REPORT ON
INSPECTOR GENERAL ISSUED REPORTS
WITH QUESTIONED COSTS
FOR THE SIX-MONTH PERIOD ENDING MARCH 31, 2014

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

MANAGEMENT REPORT ON
INSPECTOR GENERAL ISSUED REPORTS WITH
RECOMMENDATIONS TO PUT FUNDS TO BETTER USE
FOR THE SIX-MONTH PERIOD ENDING MARCH 31, 2014

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

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EXECUTIVE SUMMARY

The *Inspector General Act of 1978 (the IG Act)*, as amended, states that the Inspector General is responsible for conducting audits, investigations, and recommending policies and procedures that promote economy, efficiency, and effectiveness of agency resources and programs, and to 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 (e.g. audits, hotline, and investigations) can be found in subsequent sections of this report. The diligent work, outstanding efforts, and many contributions of our entire OIG staff make the major accomplishments of the OIG possible.

The OIG continued its contract with Leon Snead & Co. (LSC) to conduct the FEC's fiscal year (FY) 2013 annual financial statement audit. The final audit report containing twenty-seven (27) recommendations related to information technology weaknesses was issued December 12, 2013. Based on the significant IT weaknesses reported by the auditors, the OIG and LSC briefed the Commissioners on February 4, 2014 to discuss the results of the FY 2013 audit. In addition to the final audit report, LSC issued a management letter to FEC management to report on an issue that did not rise to a level to be included in the audit report. The management letter included recommendations for the FEC to improve their internal

control program to comply with OMB Circular A-123, *Management's Responsibility for Internal Control*.

The FY 2013 financial statement audit concluded the OIG's contract with Leon Snead & Co. (LSC) to conduct the annual audit. During this reporting period, the OIG completed the procurement process to hire a public accounting firm to conduct the agency's FY 2014 financial statement audit. LSC was awarded the contract to conduct the FY 2014 financial statement audit. For detailed information pertaining to the *Audit of the FEC's Fiscal Year 2013 Financial Statements (OIG-13-02)*, see the section titled **OIG Audit Activity** (starting on page 6).

During this semiannual reporting period, the OIG released the *Review of Outstanding Recommendations as of December 2013 (OIG-14-02)* report to the Commission. The report included the results of the OIG's follow up of seven (7) OIG audit and inspection assignments totaling ninety-six (96) outstanding recommendations. Based on follow-up work performed and FEC management's corrective actions, the OIG was able to collectively close 20 outstanding recommendations in report OIG-14-02. As a result of the audit follow up, the OIG issued a memorandum to the Chief Information Officer (CIO) expressing the OIG's concern with the lack of progress by the Office of the CIO to resolve outstanding recommendations contained in the *Audit of the Commission's Property Management Controls (OIG-09-02)* report.

In addition to the audit follow up work reported in the *Office of Inspectors General's Review of Outstanding Recommendations as of December 2013 (OIG-14-02)*, the OIG performed additional follow up review for the *Audit of the FEC's Office of Human Resources*. This additional review resulted in the closure of nine (9) additional recommendations,

for a total of twenty-nine (29) for this semiannual reporting period. Please see the section titled **OIG Audit Follow up Activity** (starting on page 7).

Audit organizations conducting audits in accordance with generally accepted government auditing standards (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. During this reporting period, the International Trade Commission (ITC) OIG conducted an audit peer review of the FEC OIG. A final system review report was issued to the FEC OIG February 11, 2014 and this office received a **pass** rating. There were no weaknesses identified in the system review report. See Appendix A (page 22) for additional information.

An Inspection of the FEC's compliance with the *Federal Managers' Financial Integrity Act* (FMFIA) requirements, as prescribed by Office of Management and Budget (OMB) Circular A-123 commenced during this reporting period. The primary objectives of the inspection are to determine if the FEC's annual internal control review (ICR) process is adequately designed and operating effectively to meet the requirements of FMFIA/OMB Circular A-123, and to identify any process improvements (best practices). The assessment fieldwork was completed in March 2014 and OIG discussed the preliminary findings with OCFO management. A final report is expected to be issued early in the next reporting period.

During this reporting period, the OIG began an analysis to provide a cost estimate to the Commission and the Office of the Chief Information Officer (OCIO) for implementing the National Institute of Standards and Technology (NIST) information technology security standards and the requirements of the Federal Information Security Management Act (FISMA) of 2002. The FEC is legally exempt from the NIST standards and FISMA. Based on this exemption, the FEC's OCIO has not implemented all of the government-wide IT security standards applicable to the agency's business processes.

During the FEC's FY 2013 financial statement audit, the OIG and the OIG's contracted financial statement auditors discussed weaknesses regarding the agency's IT security controls with the Commission Chair at the time. The Chair expressed an interest in obtaining the cost of implementing the NIST IT security standards for the agency. The OIG expects to complete the cost analysis during the next reporting period. For detailed information pertaining to OIG Inspections and Special Reports, see the section titled **OIG Inspections and Special Reports** (starting on page 9).

During this semiannual reporting period, six (6) new hotline complaints were opened and eight (8) hotline complaints were closed, including one (1) that was merged into an investigation. The OIG has two (2) open hotline complaints as of the close of this reporting period, including one (1) that was opened prior to the beginning of this reporting period. The closed hotline complaints included allegations of improper termination; contract fraud; contracting violations by employees; discrimination in hiring; employee misconduct; waste of resources; and failure to provide copies of requested public records that had been paid for. The improper termination case was referred to another agency, and the waste of resources was referred for OIG audit consideration. In the public records matter, a preliminary inquiry showed the payment never reached the agency and there was no withholding of public records. The other complaints were closed after preliminary inquiries found the allegations to be unsubstantiated or unsupported due to a lack of evidence or information upon which to proceed.

Five (5) investigations were open at the end of the reporting period, including four (4) that were opened in a prior reporting period and one (1) that was opened during this reporting period. No investigations were closed. For detailed information pertaining to hotline complaints and investigations, see the sections titled **OIG Hotline Information** (starting on page 11) or **OIG Investigations** (starting on page 12).

The Inspector General serves as Vice Chair of the Council of the Inspectors General on Integrity and Efficiency (CIGIE). In this capacity, the IG supports

the Chair, reviews various documents, attends weekly meetings with the Chair and CIGIE executive staff, and provides input into various issues that come before CIGIE. The IG is also Chair of the Inspector General Recommendation Panel. 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. As Vice Chair, the IG is a member of the Executive Council of CIGIE. The Executive Council is composed of the CIGIE's Chair, Vice Chair, the past Vice Chair of the CIGIE, and all Committee Chairs. The Executive Council provides guidance on CIGIE initiated projects, the operating plans for each fiscal year, and the general business of CIGIE. The Council meets monthly to discuss issues that will affect CIGIE. The IG participated in various projects and events pertaining to CIGIE, this included attending a program sponsored by American University and participation in a program to enhance the capacity of the Iraqi Offices of Inspector General. See the section titled **Council of the Inspectors General on Integrity and Efficiency (CIGIE) Activity** (starting on page 14).

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 – Lee E. Goodman, Chair; Ann M. Ravel, Vice Chair; Commissioners Carolyn C. Hunter; 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 FEC's Fiscal Year 2013 Financial Statements

Assignment Number: OIG-13-02

Status: Released December 2013

*[http://www.fec.gov/fecig/documents/
FY2013FinancialStatementAuditReport.pdf](http://www.fec.gov/fecig/documents/FY2013FinancialStatementAuditReport.pdf)*

For the fifth consecutive year, the OIG continued a contract with Leon Snead & Co. (LSC) to conduct the FEC fiscal year (FY) 2013 annual financial statement audit in accordance with generally accepted auditing standards. Due to the Federal government shut-down during the beginning of this semiannual period, all FY 2013 financial statement audits due dates were extended to December 16, 2013. Audit fieldwork was completed on December 2, 2013 and LSC provided the draft audit report to the OIG for review, the report was then issued to FEC management for review and comment. The exit conference was held on December 10, 2013, and the final audit report was issued on December 12, 2013 containing twenty-seven (27) recommendations to improve information technology security at the FEC.

In addition to the final audit report, LSC provided a management letter to FEC management in regards to the agency's annual internal control review and annual assurance letter that are required by the FEC to comply with OMB Circular A-123, *Management's Responsibility for Internal Control*. LSC reported to management that based on the LSC auditors' review of the Office of the Chief Financial Officer's (OCFO) internal control vulnerability assessment and assurance letter, the OCFO "...did not adequately address internal control deficiencies contained in the agency's financial statement audit reports, or internal control risks..." identified by an independent contractor to adhere to OMB Circular A-123, Section II.B, Risk Assessment, which states:

"Management should also consider previous findings; e.g., auditor identified, internal management reviews, or noncompliance with laws and regulations when identifying risks. Identified risks should then be analyzed for their potential effect or impact on the agency."

Included in the OIG's contract for the annual financial statement audit is a Commission briefing that would be held at the end of the audit if deemed necessary. Based on the significant IT security issues reported by the auditors, and the number of repeat findings identified during the financial statement audits since FY 2004, the OIG determined that a Commission briefing was necessary for FY 2013. LSC and the OIG briefed the six (6) Commissioners on February 4, 2014. This briefing allowed the Commissioners an opportunity to ask questions regarding the identified issues and gain a better understanding of their significance and impact on the agency.

OIG AUDIT FOLLOW-UP ACTIVITY

Office of Inspector General's Review of Outstanding Recommendations as of December 2013

Assignment Number: OIG-14-02

Status: Released February 2014

<http://www.fec.gov/fecig/documents/ReviewofOutstandingRecommendationsasofDecember2013.pdf>

During this semiannual reporting period, the OIG released the *Review of Outstanding Recommendations as of December 2013* report to the Commission detailing the follow-up work conducted by the OIG and the status of the outstanding OIG audit and inspection recommendations. The report covered seven (7) OIG assignments totaling ninety-six (96) outstanding recommendations contained in the following reports:

- *Audit Follow-up Review of the FEC's Employee Transit Benefit Program;*
- *Audit of the Commission's Property Management Controls;*
- *Follow-up Audit of Privacy and Data Protection;*
- *Follow-up Audit of Procurement and Contract Management;*
- *Inspection of the FEC's Kastle Key Program;*
- *Quality Assessment Audit of the Audit Division; and*
- *Inspection of the FEC's Disaster Recovery Plan and Continuity of Operations Plans.*

Based on the follow-up work performed, the OIG was able to collectively close twenty (20) outstanding recommendations. Adequate implementation of these twenty (20) outstanding recommendations

by management fully resolved the findings for two (2) audits, *Audit Follow-up Review of the FEC's Employee Transit Benefit Program* (released 2009); *Quality Assessment Audit of the FEC's Audit Division* (released 2012); and one inspection, *Inspection of the FEC's Kastle Key Program* (released 2011).

In addition, the OIG issued a memorandum on February 10, 2014 to the Chief Information Officer (CIO) during this review period expressing the OIG's concern with the lack of progress from the Office of the CIO to resolve outstanding recommendations contained in the *Audit of the Commission's Property Management Controls* report. Management had originally stated during the OIG's audit follow up that no further action would be taken to resolve the outstanding issues. As a result, the OIG's memorandum dated February 10, 2014 requested a written statement from the CIO to accept the risks of not implementing the outstanding recommendations for the audit, in order for the OIG to properly close the recommendations.

On March 4, 2014 the CIO provided a written response to the OIG's memorandum. The OIG is in the process of reviewing the response from the CIO to determine if the outstanding recommendations should be closed based on management's risk acceptance or if corrective action has been implemented, and a follow up review is necessary.

Additional follow up work conducted by the OIG during the quarter ending March 31, 2014

Subsequent to the release of the *December 2013 Review of Outstanding Audit Recommendations* report, the OIG followed up with the Acting Director of the Office of Human Resources regarding outstanding recommendations in the *Audit of the Federal Election Commission's Office of Human Resources (OHR)* which was issued July 2013. Based on the

OIG's review of documentation to support corrective action by OHR, we were able to close nine (9) of the twenty-six (26) outstanding audit recommendations.

In total, due to adequate corrective actions implemented by management, the OIG closed twenty-nine (29) outstanding recommendations during this semiannual reporting period.



OIG INSPECTIONS AND SPECIAL REPORTS

Office of Equal Employment Opportunity Inspection

Assignment Number: OIG -12-07

Status: In Progress

The OIG completed fieldwork for an inspection of the FEC's Office of Equal Opportunity Employment (OEEO) in the previous reporting period. The OEEO administers and implements anti-discrimination, prohibited personnel practice and affirmative action statutes and regulations, as well as related policies, procedures and guidance (collectively, "EEO laws") for the FEC.

The OEEO's general responsibilities are twofold – to advise and educate employees and managers of their rights and responsibilities under the EEO laws, and to process complaints of alleged violations of EEO laws. The OEEO is also responsible for record-keeping and reporting, especially of complaint statistics, as required by the EEO laws.

The inspection has two goals. The first goal is to analyze the OEEO complaint process and statistics. This goal has three objectives: 1) to ensure that the OEEO is procedurally compliant, both in process and practice, with the statutes and regulations governing complaints; 2) to evaluate the effectiveness of OEEO educational and outreach efforts concerning the complaint process and practice; and 3) to provide FEC management with an understanding of trends in reported allegations of violations of EEO laws. The second goal is to review OEEO-sponsored training and post-training survey results from participants. This goal is intended to measure the OEEO's performance in providing training to FEC employees.

The necessary records and case files have been reviewed by the OIG, and a survey has been conducted of FEC employees. The field work for the OEEO

inspection has been completed, but high priority investigations have required a reassignment of resources and delayed drafting of the report. Once the investigations are complete and resources can be tasked back to the inspection, the OIG will meet with the OEEO and an inspection report will be finalized and published.

Inspection of the Federal Election Commission's (FEC) Compliance with FMFIA/OMB Circular A-123

Assignment Number: OIG-14-01

Status: In Progress

The inspection of the FEC's compliance with the Federal Managers' Financial Integrity Act (FMFIA) requirements, as prescribed by Office of Management and Budget (OMB) Circular A-123 commenced during this reporting period. According to the FMFIA, "...management is responsible for establishing and maintaining internal control to achieve the objectives of effective and efficient management operations, reliable financial reporting and compliance with applicable laws and regulations..." The FEC's Office of the Chief Financial Officer (OCFO) oversees the agency's internal control program and has operational responsibility for FEC's annual internal control assessment process (the ICR process).

The primary objectives of the inspection are to assess whether the FEC is complying with the annual assessment requirement of FMFIA, to determine if the FEC's annual internal control review (ICR) process is adequately designed and operating effectively to meet the requirements of FMFIA/OMB Circular A-123, and to identify any process improvements (best practices).

On December 7, 2013, the OIG sent out an inspection notification to management and then met with the Acting Chief Financial Officer (CFO) and the Acting Accounting Director on January 2, 2014 to discuss the purpose of the inspection and to discuss the preliminary scope for the inspection.

To gain an understanding of FEC's internal control program, the OIG reviewed FEC's policy and procedures related to the program and researched all applicable laws, regulations, and guidance. OIG reviewed all internal control documentation submitted by FEC program offices to support the annual assessments for FYs 2012 and 2013, and to ensure program offices are complying with internal policies and procedures. OIG also interviewed five (5) program managers to gain an understanding of their offices' annual review process. The OIG then evaluated FEC internal control processes against the FMFIA/OMB Circular A-123 requirements to determine if the FEC process is adequately designed for compliance. The assessment was completed in March 2014 and OIG has discussed preliminary findings with OCFO management.

The OIG is in the process of completing the draft report and the OIG expects to publish the inspection report during the next reporting period.

Cost Analysis of the FEC's Implementation of the National Institute of Standards and Technology's Security Controls and the Federal Information Security Management Act of 2002

Assignment Number: OIG-14-03

Status: In Progress

The FEC is legally exempt from the Federal Information Security Management Act (FISMA) of 2002. Based on this exemption, the FEC's Office of the Chief Information Officer (OCIO) has not implemented all of the government-wide IT security standards applicable to the agency's business processes. The OIG has reported for several years that the agency should formally adopt the National Institute of Standards and Technology (NIST) minimum IT security standards to improve the FEC's IT security program.

During the FEC's FY 2013 financial statement audit, the OIG and the OIG's contracted financial statement auditors discussed the weaknesses regarding the agency's IT security controls with the FEC's FY 2013 Commission Chair at the time; this discussion occurred during a meeting required by Statement of Auditing Standards (SAS) 114: *Communication With Those Charged with Governance*. At this meeting, the prior Commission Chair expressed an interest in obtaining the cost of implementing the NIST IT security standards for the agency; therefore, the OIG procured contract services to conduct a cost analysis to provide a cost estimate to the Commission and the OCIO for implementing the NIST standards and the requirements of FISMA.

The OIG requested proposals for the contract, and after review, awarded the contract to Your Internal Controls. The planning meeting for the assignment was held on March 26, 2014 to discuss a draft work plan to conduct the cost analysis.

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. 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, six (6) new hotline complaints were opened and eight (8) hotline complaints were closed, including one (1) that was merged into an investigation. The OIG has two (2) open hotline complaints as of the close of this reporting period, including one (1) that was opened prior to the beginning of this reporting period. The closed hotline complaints included allegations of

improper termination; contract fraud; contracting violations by employees; discrimination in hiring; employee misconduct; waste of resources; and failure to provide copies of requested public records that had been paid for. The improper termination case was referred to another agency, and the waste of resources was referred for OIG audit consideration. In the public records matter, a preliminary inquiry showed the payment never reached the agency and there was no withholding of public records. The other complaints were closed after preliminary inquiries found the allegations to be unsubstantiated or unsupported due to a lack of evidence or information upon which to proceed.

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, meritless 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 filed directly by the complainant and processed through OGC; still, the OIG regularly receives complaints of alleged FECA violations, many of which are not legally compliant. Form responses with information about properly filing a complaint with OGC are sent to complainants alleging FECA violations, as the OIG cannot simply route FECA complaints to OGC.

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.

As discussed in *OIG Hotline Information*, all hotline complaints are evaluated to determine if they warrant an investigation. If an investigation is opened, the hotline complaint is closed and merged into the investigative file. OIG investigations involve a detailed examination or inquiry into issues brought to our attention by various sources, and may include interviews of relevant witnesses and subjects, document reviews, and computer forensic examinations. 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.

Five (5) investigations were open at the end of the reporting period, including four (4) that were opened in a prior reporting period and one (1) that was opened during this reporting period. No investigations were closed.



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 (IG). In addition, the IG routinely reads all Commission agenda items for Commission meetings.

The IG also reviews and provides comments, when appropriate, on legislation provided by the Council of Inspectors General on Integrity and Efficiency (CIGIE) Legislative Committee. Listed below are examples of the OIG's additional activities during this reporting period:

- At the start of this reporting period, the FEC welcomed two new members to the Commission. Lee Goodman and Ann Ravel were sworn in as Commissioners in late October 2013. Briefing books were compiled and the IG met with the new Commissioners to provide an overview of the general operating procedures of the OIG.
- The OIG prepared the annual IG assessment of the FEC's management and performance challenges. For FY 2013, this included information technology security; governance framework; and human capital management / human resources operations.
- The OIG reviewed the FEC's Workplace Recommendations report and provided the administrative officer with comments and information pertaining to OIG space and resource requirements. The OIG also attended the Senior Leader meeting on space requirements.
- A member of the OIG participated in several meetings to discuss creating the CIGIE

Leadership Alumni Community of Practice (CoP). Various documents were reviewed, to include the draft mission statement and charter for the CoP, and several examples of established CoPs. The CIGIE Leadership CoP Charter was finalized and officially introduced at the March 5, 2014 CIGIE Professional Development Committee meeting.

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

The Inspector General serves as Vice Chair of the Council of the Inspectors General on Integrity and Efficiency (CIGIE). In this capacity, the IG supports the Chair, reviews various documents, attends weekly meetings with the Chair and CIGIE executive staff, and provides input into various issues that come before CIGIE. The IG is also Chair of the Inspector General Recommendation Panel. 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. As Vice Chair, the IG is a member of the Executive Council of CIGIE. The Executive Council is composed of the CIGIE's Chair, Vice Chair, the past Vice Chair of the CIGIE, and all Committee Chairs. The Executive Council provides guidance on CIGIE initiated projects, the operating plans for each fiscal year, and the general business of CIGIE. The Council meets monthly to discuss issues that will affect CIGIE.

During this reporting period, the IG participated in various projects and events pertaining to CIGIE, this includes:

- “*Lunch with the IG*” a program conducted as part of the New Leaders program sponsored by American University;
- Attended a meeting to discuss the Integrity Committee process; Met with the attorney for the Denali Commission, Executive Director for CIGIE, and the IG of the Appalachian Regional Commission to discuss the Denali Commission vacant IG position.
- The IG participated in a program implemented by the United Nations Development Programme (UNDP) Iraq and funded by the U.S. Department of State to enhance the capacity of the Iraqi Offices of Inspectors



Lynne A. McFarland, Inspector General, Federal Election Commission, closing out the joint CIGIE/Iraqi IGs meeting at the U.S. Department of State

General. The purpose of the program was to expose the Iraqi IGs to the work of the Federal Inspectors General, to exchange information, and benefit from the experience of the Federal Inspectors General. The IG conducted a presentation at this meeting on IGs, the Council of Inspectors General on Integrity and Efficiency, and its predecessors.

- The IG also took part in a joint CIGIE /Iraqi IG meeting at the Department of State and attended a reception hosted by the Iraqi Ambassador in honor of the Iraqi IGs.

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, 2013 through March 31, 2014.

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
5,175	39	5,124	12

LIST OF TRAINING, MEETINGS AND CONFERENCES

The chart listed below depicts training, meetings, programs, seminars, and/or conferences attended by the Inspector General and/or the OIG staff for the period April 1, 2013 – September 30, 2013:

MEETINGS:

HOST / SPONSOR	TOPIC / SUBJECT
Council of Inspectors General on Integrity and Efficiency	Weekly Chair/Vice Chair Meetings Monthly Meetings Monthly Executive Council Meetings Professional Development Committee’s Leadership Development Subcommittee Meetings Joint CIGIE/Iraqi IG Meeting CIGIE Awards Ceremony
Council of Counsels to the Inspectors General	Monthly Meetings Small OIG Working Group Meeting
Assistant Inspector General for Investigations	Quarterly Meetings
Federal Election Commission	Bi-monthly Directors' Meetings Finance Committee Meetings Managers' Meeting
FEC / Office of Inspector General	Bi-weekly Staff Meetings

TRAINING/CONFERENCES:

HOST / SPONSOR	TOPIC / SUBJECT
Association of Certified Fraud Examiners	Investigative Techniques on Corporate Fraud and Internal Investigations
Association of Inspectors General	AIG – 2013 Fall Conference
Audit Net	Using Excel to Perform Analytics
Institute of Internal Auditors	“So you Want to be a CAE?”
CCH TeamMate	2013 TeamMate User Forum Conference
Potomac Forum, LTD	IT Investment Management Governance in the Sequestration and Post Sequestration Environment
Department of Homeland Security/Federal Law Enforcement Training Center	Understanding the Inspection Search
George Washington University - Center for Excellence in Public Leadership	Government Mobility: Catalyst for Change
Partnership for Public Service	Dealing with Data Driving Change Engaging Employees Through Appreciation
Federal Election Commission	Email Management Workshop Maximizing Diversity and Inclusion: The Most Important Issue of the FEC FEC Biennial Survey Training and EEO Policy Review EEO Webinar: Calming Upset People with Empathy, Attention and Respect Security Awareness Training for Executive Level Staff Transit Subsidy Benefit Training Privacy Training Ethics Annual Training FEC Publisher (contact manager)
National Seminars / Skillpath	Professional Development/Leadership Seminars/Webinars

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	13
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)	21
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)	19
Section 5(a)(9)	Recommendations that Funds be put to Better Use (Table II)	20
Section 5(a)(10)	Summary of Audit Reports issued before the start of the Reporting Period for which no Management Decision has been made	N/A
Section 5(a)(11)	Significant revised Management Decisions	N/A
Section 5(a)(12)	Management Decisions with which the Inspector General is in Disagreement	None

TABLE I

INSPECTOR GENERAL ISSUED REPORTS WITH QUESTIONED COSTS (DOLLAR VALUE IN THOUSANDS)

	NUMBER	QUESTIONED COSTS	UNSUPPORTED COSTS
A. For which no management decision has been made by commencement of the reporting period	0	0	0
B. Which were issued during the reporting period	0	0	0
Sub-Totals (A&B)	0	0	0
C. For which a management decision was made during the reporting period	0	0	0
(i) Dollar value of disallowed costs	0	0	0
(ii) Dollar value of costs not disallowed	0	0	0
D. For which no management decision has been made by the end of the reporting period	0	0	0
E. Reports for which no management decision was made within six months of issuance	0	0	0

TABLE II

INSPECTOR GENERAL ISSUED REPORTS WITH RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE

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

TABLE III

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

REPORT TITLE	REPORT NUMBER	RECOMMENDATIONS			
		ISSUE DATE	NUMBER	CLOSED	OPEN
Audit Follow-up Review of the FEC's Employee Transit Benefit Program	OIG-08-03	07/09	51	51	0
Audit of the Commission's Property Management Controls	OIG-09-02	03/10	36	29	7
2010 Follow-up Audit of Procurement and Contract Management	OIG-10-02	06/11	29	20	9
2010 Follow-up Audit of Privacy and Data Protection	OIG-10-03	03/11	45	15	30
Inspection of the Federal Election Commission's Kastle Key Program	OIG-11-02	12/11	15	15	0
Quality Assessment Audit of the FEC's Audit Division	OIG-12-01	09/12	11	11	0
Inspection of the Federal Election Commission's Disaster Recovery Plan and Continuity of Operations Plans	OIG-12-06	01/13	30	0	30
Audit of the Federal Election Commission's Office of Human Resources	OIG-12-05	07/13	26	9	17

Cumulative Total of Outstanding Recommendations

93

APPENDIX A: PEER REVIEW ACTIVITY

In accordance with the *Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010* (Section 989C of P.L. 111-203), which amended Section 5 of the *Inspector General Act of 1978*, OIGs are required to include in their semiannual reports (SAR) to Congress the results of peer reviews of their offices, as well as outstanding and not fully implemented recommendations from peer reviews the OIG received from another OIG, and outstanding and not fully implemented recommendations the OIG made in any peer review it performed for another OIG.

In accordance with the Council of Inspectors General on Integrity and Efficiency (CIGIE) Audit Peer Review schedule, the United States International Trade Commission (ITC) Office of Inspector General conducted an audit peer review of the Federal Election Commission OIG. A final system review report was issued to the FEC OIG February 11, 2014 and this office received a **pass** rating. There were no weaknesses or recommendations identified in the system review report.

The FEC OIG completed an audit peer review of the National Endowment for the Humanities (NEH) OIG during the prior reporting period and issued the final system review report September 30, 2013. The results of our peer review of the NEH OIG resulted in one (1) recommendation for improvement. We identified that the NEH Inspector General (IG) reports administratively to the Chairman of the National Endowment for the Humanities. Because the 26 members of the National Council of the Humanities are not involved in managing and/or overseeing NEH's daily operations and only meet several times a year, NEH did not believe it was practical for the IG to report directly to the full National Council. We recommended that NEH OIG implement additional procedures to ensure the NEH OIG is adhering to the requirements specified in the IG Act, as amended by Dodd-Frank, which stipulates that the NEH IG shall report only to the National Council on the Humanities.

Consistent with the requirements of Section 989C of P.L. 111-203, the FEC OIG is required to include in our semiannual report a list of any outstanding and not fully implemented recommendations by the NEH OIG. The FEC OIG contacted the NEH IG in April 2014 to obtain the status of the recommendation contained in the system review report (peer review report).

According to the NEH IG, corrective action has been planned to address the recommendation but has not yet been fully implemented as of March 31, 2014. The FEC OIG will follow-up with NEH IG during the next reporting period to determine if the recommendation has been fully implemented.

Federal Election Commission Office of Inspector General



Fraud Hotline 202-694-1015

or toll free at 1-800-424-9530 (press 0; then dial 1015)

Fax us at 202-501-8134 or e-mail us at oig@fec.gov

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.