

***Office of Inspector General  
Semiannual Report to Congress***



***October 1, 2004 – March 31, 2005***

***Federal Election Commission  
999 E Street, N.W., Suite 940  
Washington, DC 20463***

***May 2005***



## ***EXECUTIVE SUMMARY***

On behalf of the Federal Election Commission (FEC), Office of Inspector General (OIG), this *Semiannual Report to Congress* is submitted in accordance with the requirements of the *Inspector General Act of 1978*, as amended. The major activities and accomplishments of the FEC OIG are summarized in this Executive Summary. This report covers the period of October 1, 2004 through March 31, 2005.

The Office of Inspector General is responsible for conducting, supervising, and coordinating audits, investigations, and inspections. Our emphasis on improving communication with management and focusing our work on important issues remains vital – we are committed to protecting the Commission against fraud, waste, abuse, and mismanagement.

The OIG follows the standards contained in the *Quality Standards for Federal Offices of Inspector General*, published by the President's Council on Integrity and Efficiency (PCIE) and the Executive Council on Integrity and Efficiency (ECIE). The audits are conducted in accordance with the *Government Auditing Standards*, issued by the Government Accountability Office (GAO). Our investigations comply with the *Quality Standards for Investigations*, which has been developed by the PCIE and ECIE.

In an effort to improve financial management, and under the requirements of *The Accountability of Tax Dollars Act of 2002*, financial statements must be audited annually by the agency's Office of Inspector General. To comply with the requirements outlined in the Act, the FEC OIG, in conjunction with independent contract auditors - Clifton Gunderson (CG) LLP, completed the first audit of the FEC's 2004 financial statements.

Throughout the course of the audit, the OIG coordinated and participated in weekly audit status meetings with management and the auditors. In addition, the OIG reviewed the notices of findings and recommendations (NFRs) prepared by the contract auditors. The NFRs are written communication from the auditors to management that provide details on preliminary weaknesses found, and allows management the opportunity to respond to those issues. The OIG also prepared the *Inspector General Statement on the Federal Election Commission's Management and Performance Challenges*, a document that was included in the FEC's Performance and Accountability Report (PAR).

The results of the audit were detailed in three reports: 1) report on compliance with laws and regulations; 2) report on internal control; and 3) the opinion on the financial statements. The FEC received an unqualified

opinion on the financial statements. The auditor's report on internal controls contained both reportable conditions and material weaknesses - a total of 42 audit recommendations were included in the report that must be addressed by management. The OIG commends the FEC for the noteworthy accomplishment of receiving an unqualified opinion but recognizes that a tremendous amount of effort by FEC management, staff, and consultants was necessary to achieve the unqualified opinion. The OIG and the auditors intend to work with management throughout the follow-up audit process to ensure the weaknesses and audit recommendations are addressed satisfactorily.

The final audit report was completed and released December, 2004. For additional information regarding the ***Audit of the FEC's Fiscal Year 2004 Financial Statements - OIG-04-01***, see the ***Audit*** section of this report, which starts on page 10.

Audit work continued on the ***Audit of the FEC's Public Disclosure Process - OIG - 02-03***. The primary objectives of this audit are 1) to determine the extent, if any, of disclosure differences between candidate contributions reported by political committees and related political committee contributions reported received by candidates; and 2) to determine whether an adequate process is in place to remedy any reporting discrepancies.

To accomplish these objectives, the OIG assessed current election cycle data for randomly selected samples to determine whether candidates continued to have reporting variances in more current cycles. The OIG retrieved and sampled campaign summary report data captured in the agency's database for election cycles 2001/02 and 2003/04. The OIG also compared the political action committees' (PAC) reported disbursements to candidate reported receipts for each election cycle.

Various tables of summary campaign data for Senate and House candidates were examined. This review will assess reporting variances between PAC disbursements and candidate committee receipts in more current election cycles. For additional details as it pertains to the ***Audit of the FEC's Public Disclosure Process***, see page 15.

An additional responsibility of the Office of Inspector General is to receive and investigate complaints from Commission employees, the public, and other sources concerning possible violations of laws, rules or regulations, mismanagement, waste of funds, and abuse of authority. Individuals may disclose information or make complaints to the OIG through various channels (see page 31). The OIG protects the legal rights of complainants and does not disclose their identity without prior consent.





















































