Federal Election Commission

Agency Financial Report

Fiscal Year 2024

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Federal Election Commission
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Contents

Message from the Chair

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C.

OFFICE OF THE CHAIR

November 15, 2024

I am pleased to present the Federal Election Commission's Agency Financial Report (AFR) for Fiscal Year (FY) 2024. To the best of my knowledge, the AFR reflects accurate and complete data with respect to the agency's program performance and financial activities over the past year. It further demonstrates our continued commitment to administering the *Federal Election Campaign Act of 1971,* as amended.

The Commission provides the public with accurate and accessible information about how candidates raise and spend funds to support their campaigns, civilly enforces the campaign finance laws, and encourages voluntary compliance through timely advice and educational outreach.

The Commission continues to seek opportunities to make its systems and processes more efficient and effective, including efforts to redesign the FEC website and to migrate data to a cloud environment. These efforts have helped the Commission accommodate a steep rise in the number of financial transactions reported to the agency over the last several years. At the same time, the Commission has continued to prioritize improving the customer service it provides and ensuring that the campaign finance information within its jurisdiction is readily available to the public.

With respect to the agency's FY 2024 financial statements, the Commission received an unmodified opinion from its independent auditors. This unmodified opinion reflects the continued commitment by the Commissioners and Commission staff to ensure that the agency's financial statements fairly present the agency's fiscal position.

Management, which consists of senior managers including the Chief Financial Officer, Acting General Counsel and Staff Director, continue their efforts to respond to risks included in the agency Risk Profile (see Section I) and challenges identified by the Inspector General (see Section III).

The efforts described in this report would have been impossible without the work and dedication of the agency's staff, all of whom strive to fulfill the FEC's mission in the most efficient manner possible.

On behalf of the Commission,

Sean J. Cooksey

Sean J. Cooksey
Chairman

How to Use This Report

This Agency Financial Report presents financial information, as well as relevant performance information, on the Federal Election Commission's operations. The report was prepared pursuant to the *Accountability of Tax Dollars Act of 2002* and Office of Management and Budget (OMB) Circular A-136, revised, *Financial Reporting Requirements*, and covers activities from October 1, 2023 through September 30, 2024.

The FEC places a high importance on keeping the public informed of its activities. To learn more about the FEC and what the agency does to serve the American public, visit the FEC's website https://www.fec.gov/about/reports-about-fec/strategy-budget-and-performance/.

The FY 2024 Agency Financial Report is organized into three primary sections:

Section I – Management's Discussion and Analysis (MD&A) provides an overview of the FEC. It describes our mission, organizational structure and regulatory responsibilities. It also includes relevant performance information related to the FEC's strategic goals and objectives to provide a forward-looking discussion of future challenges.

Section II – Financial Information, including the Independent Auditor's Report, detailing the FEC's financial performance by 1) highlighting the agency's financial position and audit results and 2) describing the FEC's compliance with key legal and regulatory requirements.

Section III – Other Information includes our Inspector General's (IG) assessment of the FEC's management challenges and the FEC's response.

SECTION I – Management's Discussion and Analysis

Section I.A: Mission and Organizational Structure

The Federal Election Commission is an independent regulatory agency responsible for administering, enforcing, defending and interpreting the *Federal Election Campaign Act of 1971*, as amended (*FECA* or *the Act*).[1] Congress created the FEC to administer, enforce and formulate policy with respect to the *FECA*. The *Act* reflects a belief that democracy works best when voters can make informed decisions in the political process—decisions based in part on knowing the sources of financial support for Federal candidates, political party committees and other political committees. Public confidence in the political process also depends on the knowledge that participants in Federal elections follow clear and well-defined rules and face consequences for non-compliance.

Under the *Act*, all Federal political committees, including the committees of Presidential, Senate and House candidates, must file reports of receipts and disbursements. The FEC makes disclosure reports, and the data contained in them, available to the public through the Commission's internet-based public disclosure system on the Commission's website, as well as in a public records office at the Commission's Washington, D.C. headquarters. The FEC also has exclusive responsibility for civil enforcement of the *Act* and has litigating authority independent of the Department of Justice in U.S. district court and the courts of appeals. Additionally, the Commission promulgates regulations implementing the *Act* and issues advisory opinions responding to inquiries regarding interpretation and application of the *Act* and the Commission's regulations.

Additionally, the Commission is responsible for administering the Federal public funding programs for presidential campaigns. This responsibility includes certifying and auditing all participating candidates and committees and enforcing the public funding laws.

The FEC has chosen to produce an Agency Financial Report (AFR) and Annual Performance Report (APR) pursuant to the *Government Performance and Results Act of 1993*, as amended. The FEC will include its FY 2024 Annual Performance Report with its Congressional Budget Justification and will post it on the FEC website at https://www.fec.gov/about/reports-about-fec/strategy-budget-and-performance/ in 2025.

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1 The Commission's primary responsibilities pertain to the *Federal Election Campaign Act of 1971,* Public Law 92-225, 86 Stat. 3 (1972) as amended (*codified at* 52 U.S.C. §§ 30101-30145) (formerly at 2 U.S.C. §§ 431-55) (the *Act* or the *FECA*). The Commission's responsibilities for the Federal public funding programs are contained in the *Presidential Election Campaign Fund Act,* Public Law 92-178, 85 Stat. 562 (1971) (*codified at* 26 U.S.C. §§ 9001-13) and the *Presidential Primary Matching Payment Account Act,* Public Law 93-443, 88 Stat. 1297 (1974) (*codified at* 26 U.S.C. §§ 9031-42).

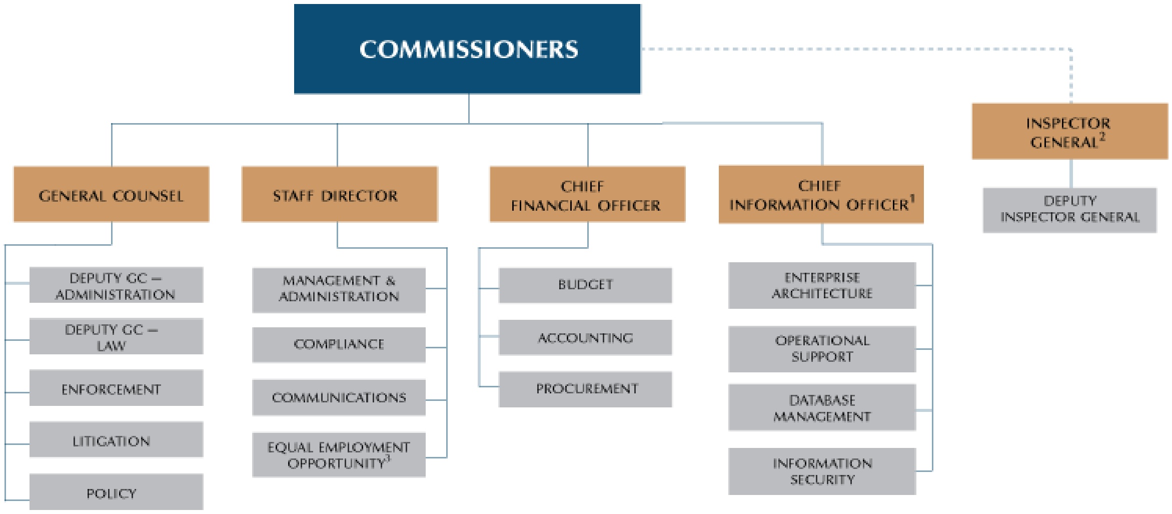
Mission Statement

The FEC's mission is to protect the integrity of the Federal campaign finance process by providing transparency and fairly enforcing and administering Federal campaign finance laws.

Organizational Structure

To accomplish its legislative mandate, the FEC is directed by six Commissioners, who are appointed by the President with the advice and consent of the Senate. By law, no more than three Commissioners can be members of the same political party. Each member serves a six-year term, and two seats are subject to appointment every two years. Commissioners may serve beyond their six-year terms until new Commissioners are confirmed. The Chairmanship of the Commission rotates among the members, with no member serving as Chair more than once during his or her six-year term. The Commissioners are responsible for administering and enforcing the *Act* and meet regularly to formulate policy and to vote on significant legal and administrative matters. The *Act* requires the affirmative vote of four members of the Commission to approve official actions, thus requiring bipartisan decision-making. The FEC has its headquarters in Washington, D.C. and does not have any regional offices.

As noted in Figure 1, the offices of the Staff Director, General Counsel, Chief Information Officer and Chief Financial Officer support the agency in accomplishing its mission. The Office of the Inspector General, established within the FEC in 1989 under the 1988 amendments to the *Inspector General Act*, is independent and reports both to the Commissioners and to Congress. The specific roles and responsibilities of each office are described in greater detail below.



1 The position of Chief Information Officer normally reports directly to the Staff Director who, in turn, reports to the Commission itself. At present, however, the same individual is serving in both the position of the Staff Director and the position of the Chief Information Officer, pursuant to an authorization by the Commission and based, in part, on an advance decision from the Comptroller General. Accordingly, the organizational chart reflects both positions – the Staff Director and the Chief Information Officer – as reporting directly to the Commission.

2 The Office of the Inspector General (OIG) independently conducts audits, evaluations, and investigations. OIG keeps the Commission and Congress informed regarding major developments associated with their work.

3 The Director for Equal Employment Opportunity reports to the Staff Director on administrative issues but has direct reporting authority to the Commission on all EEO matters. See 29 CFR 1614.102(b)(4).

Figure 1: FEC Organizational Chart

➢ Office of the Staff Director (OSD)

The Office of the Staff Director consists of four offices: 1) Management and Administration; 2) Compliance; 3) Communications; and 4) Equal Employment Opportunity. The Office of Management and Administration is responsible for the FEC's strategic planning and performance and works with the Commission to ensure the agency's mission is met efficiently. In addition, this office houses the Commission Secretary, the Office of Human Resources (OHR) and the Administrative Services Division (ASD). The primary responsibilities of the Office of Compliance are the processing and review of campaign finance reports and filing assistance, audits, administrative fines and alternative dispute resolution. The Office of Communications includes divisions charged with making campaign finance reports available to the public, encouraging voluntary compliance with the *Act* through educational outreach and training and ensuring effective communication with Congress, executive branch agencies, the media and researchers and the general public. The Equal Employment Opportunity Office administers and ensures compliance with applicable laws, regulations, policies and guidance that prohibit discrimination in the Federal workplace based on race, color, national origin, religion, age, disability, sex, pregnancy, genetic information or retaliation. The EEO Officer reports to the Staff Director on administrative issues but has direct reporting authority on all EEO matters. *See* 29 CFR 1614.102(b).

- **Office of General Counsel (OGC)**

The Office of General Counsel consists of five organizational units: (1) the Deputy General Counsel - Administration; (2) the Deputy General Counsel - Law; (3) the Policy Division; (4) the Enforcement Division; and (5) the Litigation Division. The Deputy General Counsel - Administration directly supervises the Administrative Law Team, the Law Library and all OGC administrative functions. The Deputy General Counsel - Law has the primary responsibility for assisting the General Counsel in all of the substantive aspects of the General Counsel's duties and shares in the management of all phases of OGC programs, as well as directly supervising the agency's ethics program. The Policy Division drafts for Commission consideration advisory opinions and regulations interpreting the Federal campaign finance law and provides legal advice to the FEC's compliance programs. The Enforcement Division recommends to the Commission appropriate action to take with respect to administrative complaints and apparent violations of the *Act*. Where authorized, the Enforcement Division investigates alleged violations and negotiates conciliation agreements, which may include civil penalties and other remedies. If an enforcement matter is not resolved during the administrative process, the Commission may authorize suit in district court, at which point the matter is transferred to the Litigation Division. The Litigation Division represents the Commission before the Federal district and appellate courts in all civil litigation involving campaign finance statutes. This Division assists the Department of Justice's Office of the Solicitor General when the Commission's *FECA* cases are before the Supreme Court.

- **Office of the Chief Information Officer (OCIO)**

The Office of the Chief Information Officer (OCIO) consists of four units: (1) Enterprise Architecture; (2) Operational Support; (3) Data Administration; and (4) IT Security. The OCIO provides secure, stable and robust technology solutions for Commission staff and the public. OCIO both develops and maintains the systems that serve as the public's primary source of information about campaign finance data and law. OCIO ensures agency employees have access to the tools and technology platforms that allow them to perform their day-to-day responsibilities administering and enforcing campaign finance law. In addition, OCIO provides a vision and leads the implementation of projects to ensure the FEC continues to modernize strategic systems in order to support the exponential growth in campaign finance transactions.

- **Office of the Chief Financial Officer (OCFO)**

The Office of the Chief Financial Officer consists of three offices: (1) Budget; (2) Accounting; and (3) Procurement. The OCFO is responsible for complying with all financial management laws and standards, and all aspects of budget formulation, budget execution and procurement.

Sources of Funds

Figure 2 shows the agency's appropriation and total obligations from FY 2020 to FY 2024.

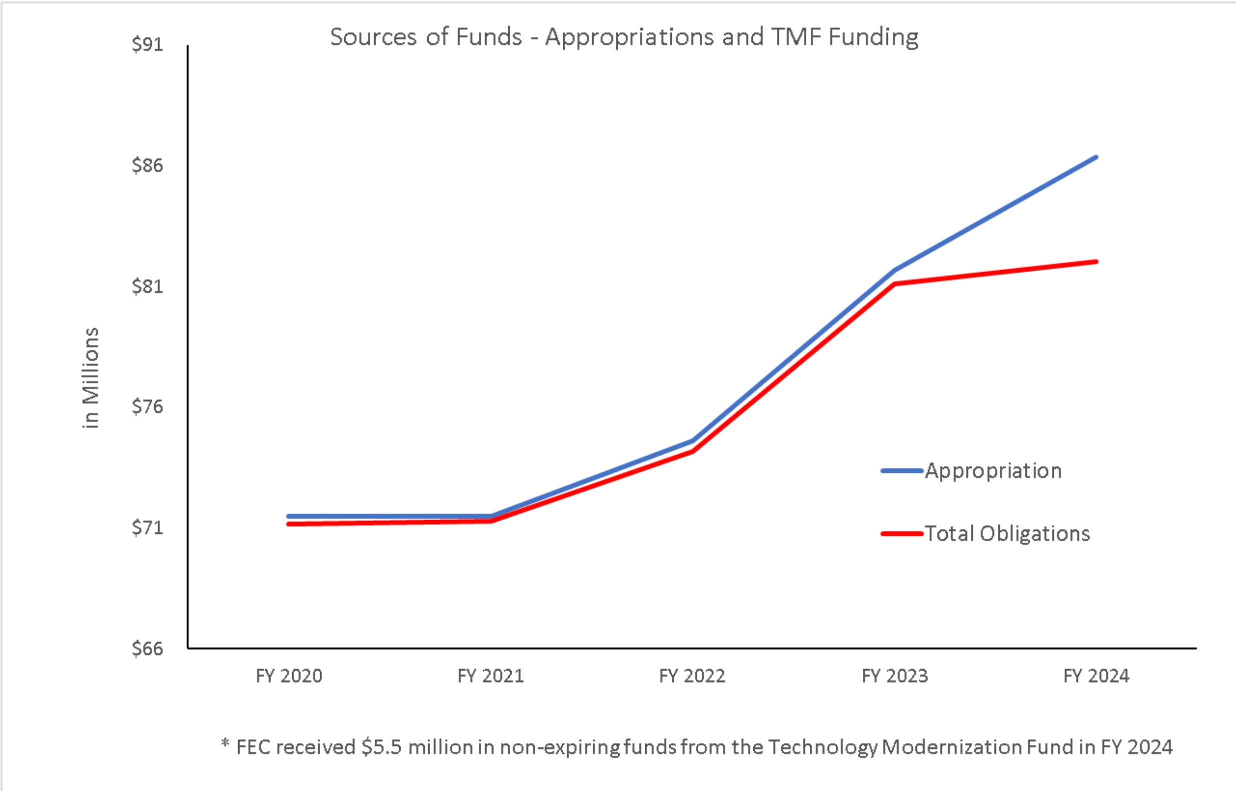


Figure 2: Summary of Funding (in millions of dollars)

The FEC also has the authority to collect fees from attendees of agency-sponsored educational conferences and webinars. The Commission may use those fees to defray the costs of conducting those programs. Registration fees for FY 2024 were $22,970.

Personnel vs. Non-Personnel Costs

Figure 3 represents the Commission's FY 2024 obligations by personnel and non-personnel costs. Personnel costs, which are primarily composed of salaries and employee benefits, accounted for 70.1 percent of the FEC's costs. The remaining 29.9 percent of the Commission's costs was spent on non-personnel items, such as infrastructure and support, software and hardware, office rent, building security and other related costs.

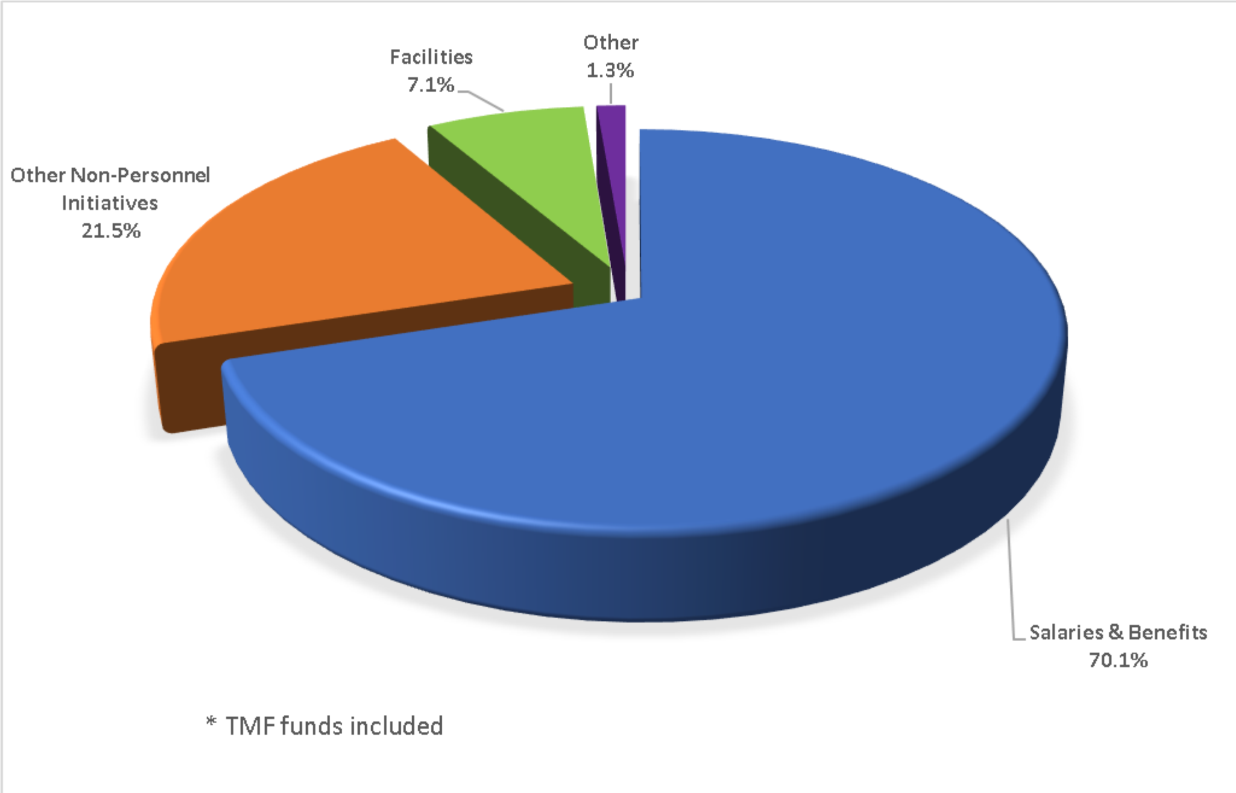


Figure 3: Fiscal Year 2024 by Major Category

Risk Identification and Mitigation

In Fiscal Year (FY) 2017, the FEC formed a Senior Management Council (SMC) to manage internal control and Enterprise Risk Management (ERM) efforts in response to new requirements outlined in OMB Circular A-123. The SMC delivered to OMB an agency-wide Risk Profile to assist in the effective management of risk areas impacting FEC strategic, operational, reporting, and compliance objectives. In FY 2018, the SMC took further steps toward effective management of risk by updating Commission Directive 53 *Implementation of OMB Circular A-123: Internal Control Program* to comply with ERM requirements. In FY 2018, 2019, 2020, 2021, 2022, 2023 and 2024 the SMC submitted an updated Risk Profile to OMB.

As part of the annual Internal Control Review (ICR) process, program offices rated each risk from the Risk Profile, detailed how the risk affects their operations and identified mitigating activities in place to respond to the risk. The current Agency-wide Risk Profile is shown below and further discussion on risk is included in the remaining MD&A sections.

Identified Significant Risk	Risk Owner	Inherent Risk Rating	Current Risk Response	Residual Risk Rating	Proposed Additional Action	Proposed Implementation/ Monitoring Process
Budget Constraints That Limit Hiring and IT Modernization Initiatives	Agency	Very High	Reduction: seeking additional funds and prioritizing available resources. Seeking additional funds through the Technology Modernization Fund and the budget.	High	Continue to seek additional funding. Provision of additional funding is not in Management's control	OCFO, OCIO and Congressional Affairs
Strategic Objectives Relating to Primary Mission Areas: Engage and Inform the Public About Campaign Finance Data; Promote Compliance with the FECA and Related Statues; Interpret the FECA and Related Statutes[2]						
Significant and Substantive Amendments to FECA/Pending Judicial Opinions	OGC	Medium	Acceptance: monitoring	Medium	Not in Management's control	OGC and Congressional Affairs
Absence of Quorum/Confirmation of Commissioners	OGC	Medium	Reduction: Directive 10	Medium	Not in Management's control	OGC and Congressional Affairs
Significant Increase in Federal Election Campaign Disclosure Activity	OSD	Very High	Reduction: infrastructure improvements. Moved to scalable cloud-based computing and continue development of new e-filing platform.	High	Advocate for more funding to invest in IT infrastructure and FTEs to support 2024 election activity.	OCIO Performance/ Monitoring Reports
Changes to and Implementation of Government-wide Directives and Guidance including Human Capital and Operating Requirements	SMC	High	Acceptance: monitoring	Medium	Continue monitoring for new executive orders, directives, memorandums, and other guidance and performing legal analysis for applicability to the FEC. Continuous updates and implementation of policies and procedures. Not in Management's control.	OGC and OHR

2 Certain risk relating to Strategic Objectives are external risks out of Management's control.

Identified Significant Risk	Risk Owner	Inherent Risk Rating	Current Risk Response	Residual Risk Rating	Proposed Additional Action	Proposed Implementation/ Monitoring Process
Disruptions to Agency Operations	OGC/ OSD/ OCFO	Medium	Acceptance: monitoring	Medium	Not in Management's control. Continuous updates to the Disaster Recovery Plan, COOP, and Shutdown Plan.	Monitored by Senior Management
Failure of Contractors to Provide Required Deliverables	OCIO/ OCFO/ OSD/ CORs	High	Reduction: monitoring of contracts by Contracting Officer's Representatives (CORs) and review procurement process, including enhancements to objectives and requirements.	Medium	Consistent monitoring of contractor performance and implementation issues.	Monitored by CORs/COs
Operational Objective: Manage Human Capital Efficiently and Effectively						
Multiple Acting Positions, Including Key Positions	OHR	High	Acceptance: monitoring	Medium	Continue to support hiring initiatives and streamline hiring process. Continuous monitoring of budget in order to fill positions when possible. Budget constraints are outside of Management's control.	Personnel and Finance Committees
Attrition and High Volume of Retirement Eligible Employees	OHR/ engagement coordinators	Very High	Reduction: succession planning, employee engagement initiatives, and improved recruitment efforts, including expanding career ladder opportunities. OHR collecting and analyzing data on departures.	Very High	Encourage succession planning, cross-training, pooling support services, and support employee engagement efforts. Increases in retirements and attrition expected to hinder these efforts. Retirement eligibility is outside of Management's control.	Retirement Eligibility Report and FEVS

Identified Significant Risk	Risk Owner	Inherent Risk Rating	Current Risk Response	Residual Risk Rating	Proposed Additional Action	Proposed Implementation/ Monitoring Process
Major Functions Performed by One Individual	OGC/ OSD/ OCFO	Very High	Reduction: cross-training, documenting processes, and recruitment	Very High	Cross-train individuals to perform major functions. Document procedures and processes. Increases in retirements and attrition expected to hinder these efforts. Continuous monitoring of budget in order to fill positions when possible. Budget constraints are outside of Management's control.	Internal Controls
Operational Objective: Manage Information Security Risks						
Data Protection and Information Security Threats	OCIO	Very High	Reduction: corrective actions and internal controls	High	Continue to implement and enhance corrective actions, conduct training, and enhance internal controls. Reviewing and updating security policies.	Internal Controls and Monitoring
Assessments and System Authorizations	OCIO	Medium	Reduction: corrective actions and internal controls	Medium	Continue to implement corrective actions and enhance internal controls. Obtaining Authority-to-Operate (ATO) for cloud infrastructure and environment.	Corrective Action Plan/Internal Controls
Compliance Objective: Manage Programs in Compliance with Applicable Law						
Outdated Policies, Procedures, and Commission Directives	OGC/ OSD/ OCFO	Medium	Reduction: implementing, revising, and reviewing policies, procedures, and Directives.	Medium	Update policies, procedures, and Directives to reflect new or revised regulatory guidance and changing operating procedures.	Monitor as part of Internal Control Review

Section I.B: Performance Goals, Objectives and Results

This section provides a summary of the results of the FEC's key performance objectives, which are discussed in greater detail in the FEC's FY 2024 APR.[3] This report will be part of the FEC's FY 2026 Congressional Budget Justification, which will be available at https://www.fec.gov/about/reports-about-fec/strategy-budget-and-performance/ in 2025.

Strategic Goal

The strategic goal of the Federal Election Commission is to fairly, efficiently and effectively administer and enforce the *Federal Election Campaign Act*, promote compliance and engage and inform the public about campaign finance data and rules, while maintaining a workforce that delivers results.

Strategic Objectives

The *Act* reflects a belief that democracy works best when voters can make informed decisions in the political process—decisions based in part on knowing the sources of financial support for Federal candidates, political party committees and other political committees. As a result, the FEC's first strategic objective is to inform the public about how Federal campaigns and committees are financed. Public confidence in the political process also depends on the knowledge that participants in Federal elections follow clear and well-defined rules and face consequences for non-compliance. Thus, the FEC's second strategic objective focuses on the Commission's efforts to promote voluntary compliance through educational outreach and to enforce campaign finance laws effectively and fairly. The third strategic objective is to interpret the *FECA* and related statutes, providing timely guidance to the public regarding the requirements of the law. The Commission also understands that organizational performance is driven by employee performance and that the agency cannot successfully achieve its mission without a high-performing workforce that understands expectations and delivers results. Consequently, the FEC's fourth strategic objective is to foster a culture of high performance in order to ensure that the agency accomplishes its mission efficiently and effectively.

Objective 1: Engage and Inform the Public about Campaign Finance Data

The FEC protects the integrity of federal campaigns by providing transparency and fairly enforcing and administering federal campaign finance laws. Full disclosure of the sources and amounts of campaign funds and fair enforcement of federal campaign finance laws allow the public to make informed decisions in the political process. Transparency requires that information is not only kept by the FEC, but also provided to the public in an easily accessible way. In order to make certain that campaign finance disclosure information is quickly available and easily accessible to the public, the agency has developed application programming interfaces (APIs) and other tools to

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[3] The FEC has identified senior-level staff and key managers to serve as goal leaders for each area of the strategic and performance plans. In addition, each strategic activity in the Strategic Plan has been assigned one or more program managers, who are responsible for the delivery and performance reporting of that activity. These managers serve as measure managers and data quality leads to ensure the completeness, consistency and accuracy of the reported data of their respective strategic activity.

improve access to campaign finance data. The agency is also committed to providing excellent customer service to help the public find and understand campaign finance information.

Performance measures and targets for assessing progress on this Strategic Objective include measures to ensure that data from campaign finance reports are quickly made available to the public and that the FEC pursues programs to make data more accessible to the public.

Performance Goal 1-1: Improve the public's access to information about how campaign funds are raised and spent.

Key Indicator: Percent of reports processed within 30 days of receipt.								
FY 2019 Actual	**FY 2020 Actual**	**FY 2021 Actual**	**FY 2022 Actual**	**FY 2023 Actual**	**FY 2024 Target**	**FY 2024 Actual**	**FY 2025 Target**	**FY 2026 Target**
94%[4]	98%	89%[5]	98%	93%[6]	95%	99%	95%	95%

Objective 2: Promote Compliance with the FECA and Related Statutes

Helping the public understand its obligations under the Act is an essential component of voluntary compliance. The FEC places a significant emphasis on encouraging compliance. The FEC measures its progress in meeting this Objective through two performance measures, discussed separately below. The first measures the agency's efforts to encourage voluntary compliance through educational outreach and information and the second measures the FEC's efforts to seek adherence to FECA requirements through fair, effective and timely enforcement and compliance programs.

Encourage voluntary compliance with FECA requirements through educational outreach and information.

Helping those subject to the Commission's jurisdiction understand their obligations under federal campaign finance laws is an essential component of voluntary compliance. The FEC's education and outreach programs provide information necessary for compliance with campaign finance laws and give the public the context necessary to interpret the campaign finance data filers disclose.

Using the FEC's toll-free line and public email accounts, staff in the Information Division, Reports Analysis Division, Congressional Affairs Office and Public Disclosure and Media Relations Division respond to thousands of inquiries each year regarding campaign finance data disclosed to

4 The agency's ability to meet its target for this performance goal during FY 2019 was negatively impacted by the lapse in appropriations from December 22, 2018 to January 25, 2019.

5 The agency's ability to meet its target for this performance goal during FY 2021 was negatively impacted by staff shortages and an unprecedented volume of filings received during the 2020 election cycle.

6 The agency's ability to meet its target for this performance goal during FY 2023 was negatively impacted by staff shortages and the volume of filings received during the 2022 election cycle.

the public and questions about how to comply with the campaign finance law and its reporting requirements.

The Commission also encourages voluntary compliance by hosting interactive training programs for candidates, parties and political action committees. Online discussions of campaign finance topics, webinars and regional conferences address recent changes in the law and focus on fundraising, methods of candidate support and reporting regulations. During the 2023-24 election cycle, the Commission hosted a series of in-person seminars at FEC headquarters in place of its regional conferences and hopes to resume its conference program in the 2025-26 election cycle.

Another online training service enables political committees, reporters, students and other groups to schedule live, interactive online training sessions with FEC staff. This on-demand service allows the FEC to provide tailored, distance learning presentations and training to the public in a manner that significantly increase the availability of FEC staff to serve the public. The service also offers an efficient and effective way for alternative dispute resolution and other enforcement respondents to satisfy the terms of their agreements with the agency.

In addition to these interactive training programs, the Commission provides a myriad of educational resources on its YouTube channel (FECTube) and website (FEC.gov). FECTube offers a wide range of instructional videos and tutorials—including curated playlists for candidates, parties, PACs and individual citizens—that enable users to obtain guidance tailored to their specific activities. FEC.gov visitors can access comprehensive guides written in plain language that summarize the rules for all types of committees, from registration to termination. Although these guides are also available in print, the FEC's transition to web-based media has allowed the agency to reduce significantly its printing, storage and mailing costs while at the same time encouraging new and expanded ways of communicating with the public on FEC.gov. For example, visitors can sign up to receive email notifications any time website content that interests them is updated and when campaign finance reports are received by the agency.

FEC.gov is also an important source of instantly accessible information about FECA, Commission regulations, and Commission proceedings. In addition to viewing campaign finance data, anyone with Internet access can use FEC.gov to track Commission rulemakings, search advisory opinions, audits, and closed enforcement matters, view campaign finance data, and find reporting dates.

Seek adherence to FECA requirements through fair, effective and timely enforcement and compliance programs.

The FEC has formed strategies for ensuring that its enforcement and compliance programs are fair, effective and timely. The Commission's statutory obligation is to administer, interpret and enforce the Federal Election Campaign Act, which serves the compelling governmental interest in deterring corruption and the appearance of corruption in financing elections. In doing so, the Commission remains mindful of the First Amendment's guarantees of freedom of speech and association, and the practical implication of its actions on the political process.

The FEC has exclusive jurisdiction over civil enforcement of federal campaign finance laws. It consults with the U.S. Department of Justice, as appropriate, on matters involving both civil and criminal enforcement of the Act. Commission enforcement actions, which are handled primarily by the Office of General Counsel (OGC), originate from a number of sources, including external complaints, referrals from other government agencies and matters generated by information ascertained by the Commission in the normal course of carrying out its supervisory responsibilities. Enforcement matters are handled by OGC pursuant to the requirements of the FECA. If the Commission cannot settle or conciliate a matter involving an alleged violation of the Act, the Commission may initiate civil litigation by filing and prosecuting a civil action in Federal district court to address the alleged violation. Closed enforcement matters are available on FEC.gov.

To augment OGC's traditional enforcement role, the Office of Compliance manages several programs that seek to remedy alleged violations of the Act and encourage voluntary compliance. These programs include: 1) the Alternative Dispute Resolution Program, 2) the Administrative Fine Program and 3) the Audit Program. The Commission's Alternative Dispute Resolution Program is designed to resolve matters more swiftly by encouraging the settlement of less-complex enforcement matters with a streamlined process that focuses on remedial measures for candidates and political committees, such as training, internal audits and hiring compliance staff. Violations involving the late submission of, or failure to file, disclosure reports are subject to the Administrative Fine Program. This Program is administered by the Reports Analysis Division (RAD) and the Office of Administrative Review (OAR), which assess monetary penalties and handle challenges to the penalty assessments. The Audit Program conducts "for cause" audits in those cases where political committees have failed to meet the threshold requirements for demonstrating substantial compliance with the Act and conducts mandatory audits under the public funding statutes. Commission-approved threshold requirements used by RAD and the Audit Division are available on FEC.gov, subject to limited redactions.

Performance Goal 2-1: Encourage voluntary compliance with FECA requirements through educational outreach and information.

Key Indicator: Educational outreach programs and events achieve targeted satisfaction rating on user surveys.								
FY 2019 Actual	**FY 2020 Actual**	**FY 2021 Actual**	**FY 2022 Actual**	**FY 2023 Actual**	**FY 2024 Target**	**FY 2024 Actual**	**FY 2025 Target**	**FY 2026 Target**
4.45	4.51	4.36	4.55	4.49	4.0 or higher on a 5.0 scale	4.38	4.0 or higher on a 5.0 scale	4.0 or higher on a 5.0 scale

Performance Goal 2-2: Seek adherence to FECA requirements through fair, effective and timely enforcement and compliance programs.

Key Indicator: Of the enforcement matters resolved during the fiscal year, the percentage that was resolved within 15 months of the date of receipt.								
FY 2019 Actual	**FY 2020 Actual**	**FY 2021 Actual**	**FY 2022 Actual**	**FY 2023 Actual**	**FY 2024 Target**	**FY 2024 Actual**	**FY 2025 Target**	**FY 2026 Target**
56%	62%	34%[7]	22%[8]	54%	50%	41%[9]	50%	50%

Objective 3: *Interpret the FECA and Related Statutes*

Commission initiatives, Congressional action, judicial decisions, petitions for rulemaking or other changes in campaign finance law may necessitate that the Commission update or adopt new regulations. Consequently, the FEC undertakes rulemakings either to write new Commission regulations or revise existing regulations. The Commission also provides guidance on how the Act applies to specific situations through the advisory opinion process and represents itself in most litigation before the federal district and appellate courts. The Commission's three primary means for providing interpretive guidance for the Act and related statutes are discussed below.

Regulations

The Policy Division of OGC drafts various rulemaking documents, including Notices of Proposed Rulemaking (NPRMs), for Commission consideration. NPRMs provide an opportunity for the public to review proposed regulations, submit written comments to the Commission and, when appropriate, testify at public hearings at the FEC. The Commission considers the comments and testimony and deliberates publicly regarding the adoption of the final regulations and the corresponding Explanations and Justifications, which provide the rationale and basis for the new or revised regulations.

Advisory Opinions

Advisory opinions (AO) are official Commission responses to questions regarding the application of Federal campaign finance law to specific factual situations. The Act generally requires the Commission to respond to AO requests within 60 days. For AO requests from candidates in the two months leading up to an election, the Act requires the Commission to respond within 20 days. On its own initiative, the Commission also makes available an expedited process for handling certain time-sensitive requests that are not otherwise entitled to expedited processing under the Act. The Commission strives to issue these advisory opinions in 30 days.

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[7] The agency's performance under this measure was negatively impacted by the lack of a quorum for most of FY 2020.

[8] The agency's performance under this measure was negatively impacted by the lack of a quorum for most of FY 2020.

[9] In FY 2024, the Enforcement Division was severely understaffed compared to previous fiscal years. The lack of adequate staffing contributed to a decrease in some of the key metrics.

Defending Challenges to the Act

The Commission represents itself in most litigation before the federal district and appellate courts and before the Supreme Court with respect to cases involving publicly financed presidential candidates. It also has primary responsibility for defending the Act and Commission regulations against court challenges. In addition, the Act authorizes the Commission to institute civil actions to enforce the Act.

Performance Goal 3-1: Provide timely legal guidance to the public.

Key Indicator: Percent of legal guidance provided within statutory and court-ordered deadlines.								
FY 2019 Actual	**FY 2020 Actual**	**FY 2021 Actual**	**FY 2022 Actual**	**FY 2023 Actual**	**FY 2024 Target**	**FY 2024 Actual**	**FY 2025 Target**	**FY 2026 Target**
100%[10]	88%[11]	100%[12]	100%[13]	100%[14]	100%	100%	100%	100%

Key Indicator: Percent of legal guidance provided within statutory and court-ordered deadlines.								
FY 2019 Actual	**FY 2020 Actual**	**FY 2021 Actual**	**FY 2022 Actual**	**FY 2023 Actual**	**FY 2024 Target**	**FY 2024 Actual**	**FY 2025 Target**	**FY 2026 Target**
100%[15]	88%[16]	100%[17]	100%[18]	100%[19]	100%	100%[20]	100%	100%

[10] The Commission obtained extensions to consider six advisory opinion requests in FY 2019; two of those extensions were lengthened by the partial federal government shutdown during the first and second quarters of FY 2019.

[11] This corrects the figure in the 2020 Agency Financial Report, which indicated that 100 percent of legal guidance was provided within statutory and court-ordered deadlines. The Agency Financial Report did not take into account one rulemaking that the Commission approved after the statutory deadline, due to the lack of a Commission quorum for most of FY 2020. The Commission approved the rulemaking—which adjusted for inflation civil monetary penalties—in July 2020, when a quorum was briefly restored.

[12] The Commission obtained extensions to consider five advisory opinion requests in FY 2021; one of those extensions was lengthened by the lack of a Commission quorum during the first quarter of FY 2021.

[13] The Commission obtained extensions to consider eleven advisory opinion requests in FY 2022.

[14] The Commission obtained extensions to consider four advisory opinion requests in FY 2023.

[15] The Commission obtained extensions to consider six advisory opinion requests in FY 2019; two of those extensions were lengthened by the partial federal government shutdown during the first and second quarters of FY 2019.

[16] This corrects the figure in the 2020 Agency Financial Report, which indicated that 100 percent of legal guidance was provided within statutory and court-ordered deadlines. The Agency Financial Report did not take into account one rulemaking that the Commission approved after the statutory deadline, due to the lack of a Commission quorum for most of FY 2020. The Commission approved the rulemaking—which adjusted for inflation civil monetary penalties—in July 2020, when a quorum was briefly restored.

[17] The Commission obtained extensions to consider five advisory opinion requests in FY 2021; one of those extensions was lengthened by the lack of a Commission quorum during the first quarter of FY 2021.

[18] The Commission obtained extensions to consider eleven advisory opinion requests in FY 2022.

[19] The Commission obtained extensions to consider four advisory opinion requests in FY 2023.

[20] The Commission obtained extensions to consider seven advisory opinion requests in FY 2024.

Objective 4: Foster a Culture of High Performance

One of the objectives from the FEC's FY 2022-2026 Strategic Plan Foster a Culture of High Performance, cuts across the organization and reflects the agency's strategic priorities for improving the efficiency and effectiveness of its workforce and management processes. The FEC's primary measure of success in developing and maintaining a results-driven workforce is at the program level: a workforce that delivers results will meet the internal performance targets set by the Commission.

The Commission understands that the success of its programs depends upon the skills and commitment of its staff. To ensure the agency can recruit and retain the best talent in support of its mission, the agency will work to increase strategic outreach and recruitment efforts and to provide a fair, impartial, inclusive and accessible work environment. The FEC is also committed to continuously improving the performance of staff in support of the agency's mission objectives. To ensure staff development opportunities and trainings are provided fairly, effectively and strategically in support of mission objectives, the FEC will work to develop and implement an agency-wide training program.

Due to budget constraints, the FEC has been challenged in recent years to recruit and retain talent necessary to meet the agency's workload and hiring goals. During FYs 2022 and 2023, the FEC identified additional strategic outreach platforms and partnerships to better ensure the agency's hiring efforts reach out to diverse and highly talented potential employees. During FY 2024 the agency planned to increase its workforce as well as assess the results of these efforts in helping the Commission continue to build its diverse and high performing staff so that the most successful strategies can be fully implemented during FY 2025. While the agency did find additional recruitment outlets in its FY 2023 efforts and shared those best practices with relevant hiring offices, the FY 2024 budget decrease significantly impacted the FEC's staffing program. FY 2024 budget constraints led to a concerted effort to reduce the size of the FEC's workforce through attrition and only allowed for limited, high priority hiring. Specifically, the staff was reduced from 309 employees at the end of FY 2023 to 293 employees at the end of FY 2024, which represents a reduction of more than 5 percent in one fiscal year. As a result, there were no available resources to further develop recruitment and retention programs as initially planned. Even with these constraints, the FEC has continued work to ensure staff retention by providing a fair, impartial, inclusive and accessible work environment.

With budget constraints continuing to affect the amount of funds that can be allocated to training, the FEC continues to focus on ensuring that mandatory training requirements are met first, along with training required to support activities that are deemed to be mission critical. The FEC continues to successfully maintain a decentralized training program, with offices and divisions across the agency providing tailored in-house training to their highly specialized workers. The agency additionally maintains a robust online training library and encourages employees to use these resources to improve their skills. Both of these resources are used to ensure that employees have the skills needed to successfully complete their job duties. The FEC had initially planned to work to develop competency models for mission critical occupations within the agency during FYs 2024 and 2025. However, with the budget decrease in FY 2024, the agency shifted its focus and resources to reducing its workforce while simultaneously maintaining its ability to accomplish the FEC's mission during a busy presidential election cycle.

The FEC is undertaking several multi-year IT modernization projects to update the FEC's systems and data processing capabilities to use cloud-native architecture, improve services provided to the public and better ensure the security of the FEC's networks, systems and data. Modernization and refactoring of the agency's legacy applications, systems and data pipeline will help the FEC streamline the processing of information provided to the public while at the same time improve the systems and tools used by agency staff to provide services to the public and ensure compliance with the campaign finance law.

In FY 2018, the FEC completed the migration of FEC.gov and one of its campaign finance databases from a physical datacenter to a cloud environment, allowing the agency to shut down one of its physical datacenters. This migration effort allowed the agency to reduce its physical datacenter footprint by 25 percent.

During FY 2020, the FEC conducted a study of its remaining legacy systems to develop a cloud migration plan for these legacy applications and systems. The cloud migration plan developed during FY 2020 also included recommendations for migrating the FEC's disaster recovery environment and the FEC's primary campaign finance database to a cloud environment.

During FY 2022, the FEC completed migrating the legacy mission critical applications, systems and databases that were identified in the cloud migration plan. During FY 2023, the FEC worked to shut down its disaster recovery physical datacenter, reducing that footprint further. It also began work to implement the FEC's disaster recovery plan for its cloud environment.

In FY 2024, the agency began to modernize and refactor the legacy systems that now reside in the cloud to adopt a cloud-native architecture. This also includes modernizing the data pipeline to enhance data processing and a project to modernize several legacy applications used by the Commission for voting and document management. The FEC has also continued to build on the agency's successes in reducing its reliance on physical data centers. In April 2024, the legacy Electronic Filing Infrastructure and its related disaster recovery environment was migrated to the FEC's cloud environment.

Performance Goal 4-1: Foster a workforce that delivers results.

Key Indicator: Commission-required quarterly updates meet targeted performance goals.								
FY 2019 Actual	**FY 2020 Actual**	**FY 2021 Actual**	**FY 2022 Actual**	**FY 2023 Actual**	**FY 2024 Target**	**FY 2024 Actual**	**FY 2025 Target**	**FY 2026 Target**
53%[21]	73%[22]	87%[23]	87%[24]	67%[25]	65%	80%	65%	65%

21 The agency's ability to meet its target for this performance goal during FY 2019 was negatively impacted by the lapse in appropriations from December 22, 2018 to January 25, 2019.

22 The agency's performance under this measure was negatively impacted by the lack of a quorum for most of FY 2020.

23 The agency's ability to meet its target for this performance goal during FY 2021 was negatively impacted by staff shortages and an unprecedented volume of filings received during the 2020 election cycle.

24 The agency's ability to meet its target for this performance goal during FY 2022 was negatively impacted by the lack of a quorum for most of 2020 and staffing shortages during FY 2022.

25 Although this target was met, the agency's performance toward this target during FY 2023 was negatively impacted by staff shortages and the volume of filings received during the 2022 election cycle.

Section I.C: Analysis of FEC Financial Statements and Stewardship Information

The FEC's FY 2024 financial statements and notes are presented in the required format in accordance with OMB Circular A-136, as revised, *Financial Reporting Requirements*. The FEC's current-year financial statements and notes are presented in a comparative format in Section II of this report.

The following table summarizes the significant changes in the FEC's financial position during FY 2024:

Net Financial Condition	FY 2024	FY 2023	Increase (Decrease)	% Change
Assets	$ 27,956,131	$ 9,849,018	($1,892,887)	-6%
Liabilities	$ 15,077,119	$ 5,005,185	$ 71,934	0%
Net Position	$ 12,879,012	$ 14,843,833	($1,964,821)	-13%
Net Cost	$ 83,223,297	$ 81,875,135	$ 1,348,162	2%
Budgetary Resources	$ 87,688,424	$ 85,746,363	$ 1,942,061	2%
Custodial Revenue	$ 369,680	$ 1,470,013	($1,100,333)	-75%

The following is a brief description of the nature of each required financial statement and its relevance. The effects of some significant balances or conditions on the FEC's operations are explained.

Balance Sheet

The Balance Sheet presents the total amounts available for use by the FEC (assets) against the amounts owed (liabilities) and amounts that comprise the difference (Net Position). As a small independent agency, all of the FEC's assets consist of Fund Balance with Treasury (FBWT), Property and Equipment (P&E) and Accounts Receivable. Fund Balance with Treasury (i.e., cash) is available through the Department of Treasury accounts, from which the FEC is authorized to make expenditures (i.e., obligations) and payments. FBWT decreased by approximately $1.47 million thousand or 6 percent, from the prior year.

Accounts Receivable primarily represent amounts due from the public for fines and penalties assessed by the FEC and referred to Treasury for collection, as deemed appropriate. In compliance with the *Debt Collection Improvement Act of 1996* (DCIA), the OCFO takes into consideration the most appropriate approach to debt management. These amounts are not available for FEC operations and are sent to the U.S. Treasury as miscellaneous receipts. Net accounts receivable increased by approximately $588 thousand, or 58 percent, from the prior year.

Total assets decreased by $1.9 million from the prior year to $27.8 million. Total liabilities increased by approximately $78 thousand from the prior year $15.1 Million.

Statement of Net Cost

The Statement of Net Cost presents the annual cost of operating the FEC program. Gross costs are used to arrive at the total net cost of operations. The FEC's total gross costs in administering the *FECA* experienced a 2% increase from the prior year.

Statement of Changes in Net Position

The Statement of Changes in Net Position presents in greater detail the net position section of the Balance Sheet, including Cumulative Results of Operations and Unexpended Appropriations. This statement identifies the activity that caused the net position to change during the reporting period. Total Net Position decreased by 13 percent, or approximately $1.96 million.

Statement of Budgetary Resources

The Statement of Budgetary Resources provides information on the source and status of budgetary resources made available to the FEC during the reporting period. It presents the relationship between budget authority and budget outlays, as well as the reconciliation of obligations to total outlays. Total Budgetary Resources and Status of Budgetary Resources increased by approximately $1.9 million, or 2 percent, from the prior year.

Statement of Custodial Activity

The Statement of Custodial Activity represents an accounting of revenue and funds collected by the FEC that are owed to the U.S. Treasury's general fund. These monies are not available for the FEC's use. Collection and revenue activity primarily result from enforcement actions that come before the Commission during the fiscal year. Revenue and collections on the Statement of Custodial Activity consist of collections on new assessments, prior year(s) receivables and miscellaneous receipts. In FY 2024, the total custodial revenue and collections decreased by approximately $1.1 million from the prior year.

The chart below displays the assessment history for the past 20 years.[26]

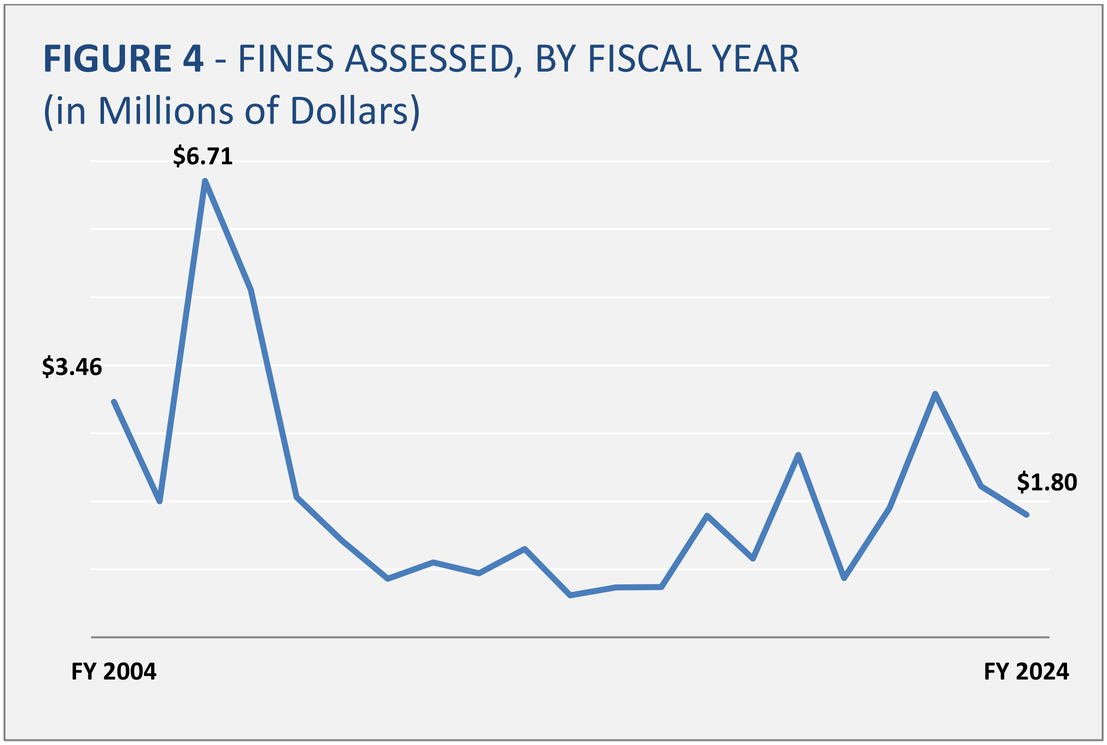

Figure 4: Fines Assessed, by Fiscal Year (in millions of dollars)

[26] One MUR resolved during 2006 yielded the largest civil penalty in agency history, which was $3.8 million paid by Federal Home Loan Mortgage Corporation (Freddie Mac) for prohibited corporate activity. This 2006 penalty is the primary reason for the largest Fines Assessed (approximately $6.71 million) in Figure 4.

Section I.D: Analysis of FEC's Systems, Controls and Legal Compliance

I.D.i – FEC Integrated Internal Control Framework and Legal Compliance

The Commission is subject to numerous legislative and regulatory requirements that promote and support effective internal controls. The FEC complies with the following laws and regulations:

Annual Appropriation Law – establishes the FEC's budget authority;

The Antideficiency Act of 1884, as amended;

Inspector General Act of 1978, as amended;

Federal Managers' Financial Integrity Act of 1982;

Federal Civil Penalties Inflation Adjustment Act of 1990;

Government Performance and Results Act of 1993, as amended;

Federal Financial Management Improvement Act of 1996;

Clinger-Cohen Act of 1996;

Debt Collection Improvement Act of 1996, as amended; and

Chief Financial Officers Act, as amended by the *Accountability of Tax Dollars Act of 2002*

The proper stewardship of Federal resources is a fundamental responsibility of the FEC. These laws help the FEC improve the management of its programs and financial operations and assure that programs are managed in compliance with applicable law.

I.D.ii – Management Assurances

The *Federal Managers' Financial Integrity Act of 1982* (*FMFIA*) is implemented by OMB Circular A-123, revised, *Management's Responsibility for Enterprise Risk Management and Internal Control,* with applicable appendices. The FEC management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the *FMFIA* and for performing a self-assessment under the guidance of its Directive 53, *Implementation of OMB Circular A-123, Internal Control Review*. Directive 53 outlines the process and describes roles and responsibilities for conducting risk assessments and internal control reviews.

Section 2 of the *FMFIA* requires Federal agencies to report, based on annual assessments, any material weaknesses that have been identified in connection with their internal and administrative controls. The reviews that took place during FY 2024 provide unqualified assurance that FEC systems and management controls comply with the requirements of the *FMFIA*.

Section 4 of the *FMFIA* requires that agencies annually provide assurance on programmatic internal controls and financial management systems, and effectiveness of internal control over financial reporting. The FEC evaluated its financial management systems in accordance with the

FMFIA, OMB Circular A-123, as applicable, and reviewed the Statements on Standards for Attestation Engagements, Reporting on Controls at a Service Organization (SSAE 18) reports received from its shared service providers. The results of management reviews provided that the FEC's financial systems controls generally conform to the required principles and standards as per Section 4 of the *FMFIA*.

Enterprise Risk Management

In the current fiscal year, the FEC, led by the Senior Management Council (SMC), updated its Enterprise Risk Management (ERM) Risk Profile which captures enterprise level risks, as required by the revised OMB Circular A-123. The SMC identified a total of thirteen enterprise level risks the agency faces when seeking to achieve strategic, operational, and compliance objectives and rated these risk as being a medium or high inherent risk. The Risk Profile was delivered to the Office of the Inspector General (OIG) and OMB. The SMC looks forward to continuing to work closely with OIG to remediate any weaknesses which the OIG may deem to be at the level of a material weakness.

Prompt Payment Act

The *Prompt Payment Act* (*PPA*) requires Federal agencies to make timely vendor payments and to pay interest penalties when payments are late. The FEC's on-time payment rate for FY 2024 was 0.22 percent of all invoices paid after the date required by the *PPA*.

Improper Payments

The *Improper Payments Information Act (IPIA) of 2002,* as amended by the *Improper Payments Elimination and Recovery Act (IPERA) of 2010, Improper Payments Elimination and Recovery Improvement Act (IPERIA) of 2012,* and the *Payment Integrity Information Act (PIIA) of 2019* and OMB guidance require agencies to identify programs that are susceptible to significant improper payments and determine an annual estimated amount of improper payments made in their operations. The FEC reviewed all of its programs and activities to identify those susceptible to significant improper payments. Approximately 71 percent of the FEC's obligations pertain to salaries and benefits, which represents a low risk for improper payments, based on established internal controls. The FEC also reviewed all of its FY 2024 non-personnel procurements, charge card, and payroll costs to verify their accuracy and completeness. Accordingly, the FEC is unaware of any improper payments. The FEC continues to monitor its payment and internal control process to ensure that the risk of improper payments remains low.

Restatement

In FY 2022, the FEC entered into an agreement to develop and implement a secure, custom-built, open-source, cloud-based electronic filing data application. The objective of this system is to allow filers to seamlessly submit reports and statements to the FEC using any device, operating system, or browser, at any time, regardless of data file size or transaction count.

During the first two years of the project, the invoicing from the contractor did not segregate costs between research and asset development. Consequently, these costs were expensed in FY 2022 and 2023. As part of its periodic review of assets in FY 2024, the FEC determined that a portion of these costs related to the development of a software system and should have been capitalized as assets. This correction resulted in the restatement of the FY 2023 financial statements to reflect the reclassification of costs. A detail description is provided in footnote 15.

Annual Assurance Statement on Internal Control

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C.

Annual Assurance Statement on Internal Control

The Federal Election Commission (FEC) is responsible for managing risks and maintaining effective internal control to meet the objectives of Sections 2 and 4 of the *Federal Managers' Financial Integrity Act*. The FEC conducted its assessment of risk and internal control in accordance with OMB Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*. Based on the results of the assessment, the Agency can provide reasonable assurance that internal control over operations, reporting, and compliance were operating effectively as of September 30, 2024.

Sean J. Cooksey

Chairman

Section I.E: Limitations of the Financial Statements

The principal financial statements have been prepared to report the financial position and results of operations of the FEC pursuant to the requirements of 31 U.S.C. §3515(b). While the statements have been prepared from the books and records of the FEC in accordance with United States generally accepted accounting principles (GAAP) for Federal entities and the formats prescribed by the OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources which are prepared from the same books and records.

The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity.

Section I.F: Forward-Looking Information

Changes in the way political committees raise and spend funds have contributed to a stark increase in the number of transactions disclosed to the FEC. During the 2020 election cycle, filers reported more than 600 million financial transactions, which were reviewed by FEC staff and disclosed to the public on the FEC's website. This is more than double the number of transactions reported in the previous election cycle, and a nearly 400 percent increase compared to 2016, the previous presidential election cycle. During the 2024 election cycle, the FEC has already received campaign finance reports with 440.1 million transactions, a 1.7 percent decrease from 2020,disclosing $24.4 billion in receipts and $22.7 billion in disbursements, an 11.3 percent and 12.7 percent increase, respectively, over the last presidential election cycle at this point.[27] This increasing volume of campaign finance disclosure data must be received, processed, and made available to the public within the agency's tight deadlines for public disclosure, and must be safeguarded to ensure the integrity and accessibility of the information.

The FEC provides the public access to reported campaign finance data on the agency's website and directly through the FEC's Application Programming Interface (API), which permits users to customize their own data searches.[28] Public interest in the FEC's campaign finance data continues to grow, with the FEC's campaign finance data API receiving over 603 million hits during the 2024 cycle so far, already representing a 48.3 percent increase over the number of API hits received during the full 2020 presidential election cycle.[29] These trends in the public's interest in campaign finance activity illustrate both how crucial it is for the agency to continue efforts to support and secure access to this data and how challenging it is to do so without additional funding for staff and tools necessary to receive and process campaign finance reports, review the reports for accuracy and compliance and ensure the resulting data continues to be readily available to meet the public's needs despite the significant growth in the volume of data maintained by the agency. The FEC is undertaking several multi-year IT modernization projects to update the agency's systems and data processing capabilities to use cloud-native architecture, improve services provided to the public and better ensure the security of the FEC's networks, systems and data. Modernizing and refactoring the agency's legacy applications, systems and data pipeline will help the FEC streamline the processing of information provided to the public while at the same time improving the systems and tools used by agency staff to provide services to the public and ensure compliance with the campaign finance law.

The FEC continues to confront a heavy workload alongside relatively flat funding levels that have contributed to the reduced staffing levels the FEC has seen over the past several years. Over the past decade, the FEC has been able to meet its statutory mission primarily due to efficiencies gained by reassigning staff using details, maximizing operational efficiencies through reorganizations, and improving technology and processes, among other efficiencies. However, in recent years the FEC has begun to exhaust the benefits that can be gained through such efficiencies. FY 2024 budget constraints led to a concerted effort to again reduce the size of the FEC's workforce through attrition and only allowed for limited, high priority hiring. Specifically, the staff was reduced from 309 employees at the end of FY 2023 to 293 employees at the end of FY

[27] This data is as of November 5, 2024.
[28] The FEC's API, OpenFEC, also supports the data access available through FEC.gov.
[29] This data is as of November 5, 2024.

2024, which represents a reduction of more than 5 percent in one fiscal year during a presidential election year on track to include a volume of campaign finance transactions on par with the 2020 election cycle. Continued staffing reductions combined with increasing workloads have caused the agency to lower or defer action toward performance targets in some instances.

SECTION II – Auditor’s Report and Financial Statements

Message from the Chief Financial Officer

November 15, 2024

I am pleased to present the Commission’s financial statements for fiscal year (FY) 2024. The financial statements are an integral part of the Agency Financial Report. For the fifteen consecutive year, the Commission received an unmodified (clean) opinion on its financial statements from the independent auditor. Also, the agency made progress in improving its control environment by closing previous year recommendations. As evidence, the FY 2024 financial statement audit report also does not include findings.

During fiscal year 2024, FEC also worked to respond to management challenges and long-standing recommendations made by independent auditors. For instance, working through its Senior Management Council, the agency reduced open Inspector General recommendations greater than six months old from 23 in March 2024 to 18. The FEC also continues to review any inadequacies identified by independent auditors and will develop corrective action plans.

The FEC also continues to seek opportunities to modernize and upgrade business systems to improve operational effectiveness and efficiency. We are confident that FEC employees’ commitment to the agency’s mission will provide an opportunity to build on the prior year’s financial management successes. The OCFO looks forward to another successful year.

Sincerely,

John Quinlan
Chief Financial Officer

OIG Transmittal Letter

Federal Election Commission
Office *of the* Inspector General

MEMORANDUM

TO: The Commission

FROM: Susan Ruge-Hudson
Inspector General

SUBJECT: Transmittal of the Federal Election Commission's Fiscal Year 2024 Financial Statement Audit Report

DATE: November 14, 2024

ENCL: *Independent Auditor's report on the FEC's FY 2024 Financial Statements*

Pursuant to the Chief Financial Officers Act of 1990, as amended, this memorandum transmits the Independent Auditor's Report issued by Brown & Company Certified Public Letter Accountants and Management Consultants, PLLC (Brown & Company) for the fiscal year (FY) ending September 30, 2024. Enclosed you will find the Independent Auditor's final audit report on the FEC (*i.e.*, the "FEC" or "Commission") FY 2024 Financial Statements. The final audit report is additionally included in Section II of the FEC's FY 2024 Agency Financial Report.

The audit was performed under a contract with, and monitored by, the OIG in accordance with generally accepted government auditing standards, the Comptroller General's *Government Auditing Standards*, and applicable provisions of Office of Management and Budget (OMB) Bulletin No. 24-02, *Audit Requirements for Federal Financial Statements.*

In Brown & Company's opinion, the FEC financial statements present fairly, in all material respects, the financial position, net cost, changes in net position, and budgetary resources for the year ending September 30, 2024, in accordance with U.S. generally accepted accounting principles.

Additionally, due to the Commission's position that it is legally exempt from the Federal Information Systems Management Act (FISMA), the OIG requires an assessment of the agency's Information Technology (IT) systems security controls. Accordingly, the audit included an examination of the Commission's IT security controls in comparison to government-wide best practices. The OIG acknowledges that the independent auditors are only required to explicitly opine on internal controls that have a material impact on agency financial statement reporting.

Brown & Company did not report any material weaknesses or significant deficiencies related to the FEC's IT security internal controls. The two prior year recommendations have been closed. Management was provided a draft copy of the audit report for review and comment. The official management response is included in Exhibit C.

The OIG reviewed Brown & Company's report and related documentation and provided the required oversight throughout the course of the audit. Our review ensures the accuracy of the audit conclusions but may not express an opinion of the results. The OIG's review determined that Brown & Company complied with applicable required Government Auditing Standards.

We appreciate the collaboration and support from FEC staff and the professionalism that Brown & Company exercised throughout the course of the audit. If you have any questions concerning the enclosed report, please contact Ms. Shellie Purnell-Brown at (202) 694-1019.

cc: John Quinlan, Chief Financial Officer
Alec Palmer, Staff Director/Chief Information Officer
Lisa Stevenson, Acting General Counsel
James Gerber, Director of Budget
Greg Baker, Deputy General Counsel
Dayna Brown, Deputy Staff Director for Management and Administration

BROWN & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS, PLLC

INDEPENDENT AUDITOR'S REPORT

Inspector General
Federal Election Commission
Washington, D.C.

In our audits of the fiscal years 2024 and 2023 financial statements of the Federal Election Commission (FEC), we found:

- FEC's financial statements as of and for the fiscal years ended September 30, 2024, and 2023, are presented fairly, in all material respects, in accordance with United States of America (U.S.) generally accepted accounting principles;

- no material weaknesses in internal control over financial reporting based on the limited procedures we performed; and

- no reportable noncompliance for fiscal year 2024 with provisions of applicable laws, regulations, contracts, and grant agreements we tested.

The following sections discuss in more detail (1) our report on the financial statements, which includes a section on required supplementary information (RSI)[30] a section on and other information[31] included with the financial statements; (2) our report on internal control over financial reporting; and (3) our report on compliance with laws, regulations, contracts, and grant agreements.

[30] The RSI consists of Management's Discussion and Analysis and the Statement of Budgetary Resources, which are included with the financial statements.

[31] Other information consists of information included with the financial statements, other than the RSI, Financial section, and the auditor's report.

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Report on the Financial Statements

Opinion

In accordance with the provisions of the Accountability of Tax Dollars Act of 2002 (ATDA) (Pub. L. No. 107-289), we have audited FEC's financial statements. FEC's financial statements comprise the balance sheets as of September 30, 2024, and 2023; the related statements of net cost, changes in net position, budgetary resources, and statement of custodial activity for the fiscal years then ended; and the related notes to the financial statements. In our opinion, FEC's financial statements present fairly, in all material respects, FEC's financial position as of September 30, 2024, and 2023, and its net costs of operations, changes in net position, budgetary resources, and statement of custodial activity for the fiscal years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with U.S. generally accepted government auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of FEC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

FEC management is responsible for:

- the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles;
- preparing, measuring, and presenting the RSI in accordance with U.S. generally accepted accounting principles;
- preparing and presenting other information included in FEC's Agency Financial Report (AFR) and ensuring the consistency of that information with the audited financial statements and the RSI; and
- designing, implementing, and maintaining effective internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to (1) obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and (2) issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit of the financial statements conducted in accordance with U.S. generally accepted government auditing standards will always detect a material misstatement or a material weakness when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered to be material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with U.S. generally accepted government auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to our audit of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of FEC's internal control over financial reporting. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Perform other procedures we consider necessary in the circumstances.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the financial statement audit.

Required Supplementary Information

U.S. generally accepted accounting principles issued by the Federal Accounting Standards Advisory Board (FASAB) require that the RSI be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by FASAB, which considers it to be an essential part of financial reporting for placing the financial statements in appropriate operational, economic, or historical context.

We have applied certain limited procedures to the RSI in accordance with U.S. generally accepted government auditing standards. These procedures consisted of (1) inquiring of management about the methods used to prepare the RSI and (2) comparing the RSI for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during the audit of the financial statements, in order to report omissions or material departures from FASAB guidelines, if any, identified by these limited procedures. We did not audit, and we do not express an opinion or provide any assurance on the RSI because the limited procedures we applied do not provide sufficient evidence to express an opinion or provide any assurance.

Other Information

FEC's other information contains a wide range of information, some of which is not directly related to the financial statements. This information is presented for purposes of additional analysis and is not a required part of the financial statements or the RSI. Management is responsible for the other information included in FEC's agency financial report. The other information comprises a statement of management assurances and other information that is applicable in the annual report. Other information does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Report on Internal Control over Financial Reporting

In connection with our audits of FEC's financial statements, we considered FEC's internal control over financial reporting, consistent with our auditor's responsibilities discussed below.

Results of Our Consideration of Internal Control over Financial Reporting

Our consideration of internal control was for the limited purpose described below, and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies[32] or to express an opinion on the effectiveness of FEC's internal control over financial reporting. Given these limitations, during our 2024 audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

We identified deficiencies in FEC's_internal control over financial reporting that we do not consider to be material weaknesses or significant deficiencies. Nonetheless, these deficiencies warrant FEC management's attention. We have communicated these matters to FEC management and will report on them separately in a management letter.

Basis for Results of Our Consideration of Internal Control over Financial Reporting

We performed our procedures related to FEC's internal control over financial reporting in accordance with government auditing standards and Office of Management and Budget audit guidance.

Responsibilities of Management for Internal Control over Financial Reporting

FEC management is responsible for designing, implementing, and maintaining effective internal control over financial reporting relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for Internal Control over Financial Reporting

In planning and performing our audit of FEC's financial statements as of and for the fiscal year ended September 30, 2024, in accordance with U.S. generally accepted government auditing standards, we considered FEC's internal control relevant to the financial statement audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of FEC's internal control over financial reporting. Accordingly, we do not express an opinion on FEC's internal control over financial reporting. We are required to report all deficiencies that are considered to be significant deficiencies or material

[32] A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

weaknesses. We did not consider all internal controls relevant to operating objectives, such as those controls relevant to preparing performance information and ensuring efficient operations.

Definition and Inherent Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel. The objectives of internal control over financial reporting are to prove reasonable assurance that:

- transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition, and

- transactions are executed in accordance with provisions of applicable laws, including those governing the use of budget authority, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements due to fraud or error.

Intended Purpose of Report on Internal Control over Financial Reporting

The purpose of this report is solely to describe the scope of our consideration of FEC's internal control over financial reporting and the results of our procedures, and not to provide an opinion on the effectiveness of FEC's internal control over financial reporting. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering internal control over financial reporting. Accordingly, this report on internal control over financial reporting is not suitable for any other purpose.

Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

In connection with our audits of FEC's financial statements, we tested compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements consistent with our auditor's responsibilities discussed below.

Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance for fiscal year 2024 that would be reportable under U.S. generally accepted government auditing standards. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements applicable to FEC. Accordingly, we do not express such an opinion.

Basis for Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements

We performed our tests of compliance in accordance with U.S. generally accepted government auditing standards.

Responsibilities of Management for Compliance with Laws, Regulations, Contracts, and Grant Agreements

FEC management is responsible for complying with laws, regulations, contracts, and grant agreements applicable to FEC.

Auditor's Responsibilities for Tests of Compliance with Laws, Regulations, Contracts, and Grant Agreements

Our responsibility is to test compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements applicable to FEC that have a direct effect on the determination of material amounts and disclosures in FEC's financial statements, and to perform certain other limited procedures. Accordingly, we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to FEC. We caution that noncompliance may occur and not be detected by these tests.

Intended Purpose of Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

The purpose of this report is solely to describe the scope of our testing of compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements, and the results of that testing, and not to provide an opinion on compliance. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering compliance. Accordingly, this report on compliance with laws, regulations, contracts, and grant agreements is not suitable for any other purpose.

Status of Prior Year's Findings and Recommendations

We have reviewed the status of recommendations from the FY 2023 Independent Auditor's Report, dated November 14, 2023. Based on the audit work performed, we have determined that the prior year recommendations have been closed. Details regarding these prior year recommendations are provided in Exhibit A.

Brown & Company

Greenbelt, Maryland
November 14, 2024

Exhibit A – Status of Prior Year's Finding and Recommendations

Status of FY 2023 Prior Year's Audit Recommendations	**Status as of September 30, 2024**
2023-01 We recommend FEC OCIO develop a feasibility plan for replacing the Lotus Notes legacy system, related outdated equipment and operating systems. The feasibility plan should contain an analysis of potential benefits, costs, risks, and other critical factors.	Closed
2023-02 We recommend FEC Senior Leaders prioritize funding and other resources needed to replace the Lotus Notes legacy system, related outdated equipment and operating systems.	Closed

This page marks the end of the Independent Auditor’s Report

Financial Statements

BALANCE SHEETS
As Of September 30, 2024 and 2023

	2024	Restated 2023
Assets:		
Intragovernmental Assets:		
Fund Balance With Treasury (Note 3)	$ 22,648,301	$ 24,116,788
Total Intragovernmental Assets	22,648,301	24,116,788
Other Than Intragovernmental:		
Accounts Receivable, net (Note 4)	1,606,118	1,018,558
Property, Plant and Equipment, net (Note 5)	3,701,712	4,713,672
Total Other than Intragovernmental Assets	5,307,830	5,732,230
Total Assets (Note 2)	**$ 27,956,131**	**$ 29,849,018**
Liabilities: (Note 6)		
Intragovernmental Liabilities:		
Accounts Payable	183,175	661,389
Other Liabilities (Note 7)	6,784,442	7,248,255
Total Intragovernmental Liabilities	6,967,617	7,909,644
Other Than Intragovernmental:		
Accounts Payable	8,34,635	1,103,340
Federal Employees and Veterans Benefit Payable	4,499,867	5,872,201
Other Liabilities (Note 7)	2,775,000	1,20,000
Total Other than Intragovernmental Liabilities	8,109,502	7,095,541
Total Liabilities	**$ 15,077,119**	**$ 15,005,185**
Net Position:		
Unexpended Appropriations - All Other Funds (Consolidated Totals)	17,573,897	19,145,881
Cumulative Results of Operations - All Other Funds (Consolidated Totals)	(4,694,885)	(4,302,048)
Total Net Position - All Other Funds (Consolidated Totals)	12,879,012	14,843,833
Total Net Position	**$ 12,879,012**	**$ 14,843,833**
Total Liabilities and Net Position	**$ 27,956,131**	**$ 29,849,018**

The accompanying notes are an integral part of these statements.

STATEMENTS OF NET COST

For The Fiscal Years Ended September 30, 2024 and 2023

	2024	**Restated 2023**
Program Costs:		
Gross Costs	$ 83,248,297	$ 81,992,135
Less: Earned Revenue	25,000	117,000
Net Program Costs	83,223,297	81,875,135
Net Cost of Operations	**$ 83,223,297**	**$ 81,875,135**

The accompanying notes are an integral part of these statements.

STATEMENT OF CHANGES IN NET POSITION
For The Fiscal Years Ended September 30, 2024 and 2023

	FY 2024 (CY)	
	All Other Funds (Consolidated Totals)	**Consolidated Total**
Unexpended Appropriations:		
Beginning Balance	$ 19,145,881	$ 19,145,881
Appropriations received	80,857,000	80,857,000
Appropriations transferred-in/out (+/-)	2,750,000	2,750,000
Other Adjustments (+/-)	(4,165,631)	(4,165,631)
Appropriations used	(81,013,353)	(81,013,353)
Net Change in Unexpended Appropriations	**(1,571,984)**	**(1,571,984)**
Total Unexpended Appropriations	**$ 17,573,897**	**$ 17,573,897**
Cumulative Results from Operations		
Beginning Balances	$ (5,415,420)	$ (5,415,420)
Corrections of errors (+/-)	1,113,372	1,113,372
Beginning balances, as adjusted	(4,302,048)	(4,302,048)
Appropriations used	81,013,353	81,013,353
Imputed Financing (Note 10)	4,871,621	4,871,621
Other (+/-)	(3,054,514)	(3,054,514)
Net Cost of Operations	(83,223,297)	(83,223,297)
Net Change in Cumulative Results of Operations	(392,837)	(392,837)
Cumulative Results of Operations	**(4,694,885)**	**(4,694,885)**
Net Position	**$ 12,879,012**	**$ 12,879,012**

The accompanying notes are an integral part of these statements.

STATEMENT OF CHANGES IN NET POSITION

For The Fiscal Years Ended September 30, 2024 and 2023

	Restated FY 2023 (PY) All Other Funds (Consolidated Totals)	Restated FY 2023 (PY) Consolidated Total
Unexpended Appropriations:		
Beginning Balance	$ 19,252,312	$ 19,252,312
Appropriations received	81,674,000	81,674,000
Other Adjustments (+/-)	(3,016,577)	(3,016,577)
Appropriations used	(78,763,853)	(78,763,853)
Net Change in Unexpended Appropriations	(106,430)	(106,430)
Total Unexpended Appropriations	**$ 19,145,881**	**$ 19,145,881**
Cumulative Results from Operations		
Beginning Balances	$ (4,945,375)	$ (4,945,375)
Adjustments: (+/-)		
Corrections of errors (+/-)	(15,145)	(15,145)
Beginning balances, as adjusted	(4,960,520)	(4,960,520)
Appropriations used	78,763,853	78,763,853
Imputed Financing (Note 10)	3,769,754	3,769,754
Net Cost of Operations	(81,875,135)	(81,875,135)
Net Change in Cumulative Results of Operations	658,472	658,472
Cumulative Results of Operations	**(4,302,048)**	**(4,302,048)**
Net Position	**$ 14,843,833**	**$ 14,843,833**

The accompanying notes are an integral part of these statements.

STATEMENTS OF BUDGETARY RESOURCES
For The Fiscal Years Ended September 30, 2024 and 2023

	2024	2023
	Budgetary	**Budgetary**
Budgetary resources:		
Unobligated balance from prior year budget authority, net (discretionary and mandatory) (Note 11)	$ 6,806,424	$ 3,955,363
Appropriations (discretionary and mandatory)	80,857,000	81,674,000
Spending authority from offsetting collections (discretionary and mandatory)	25,000	117,000
Total budgetary resources	**$ 87,688,424**	**$ 85,746,363**
Status of budgetary resources:		
New obligations and upward adjustments (total) (Note 11)	$82,540,300	$ 81,589,728
Unobligated balance, end of year:		
Apportioned, unexpired account	4,375,218	598,461
Unexpired unobligated balance, end of year	4,375,218	598,461
Expired unobligated balance, end of year	772,906	3,558,173
Unobligated balance, end of year (total)	5,148,124	4,156,634
Total budgetary resources	**$ 87,688,424**	**$ 85,746,363**
Outlay, net:		
Outlays, net (total) (discretionary and mandatory)	$ 83,659,856	$ 78,388,837
Agency outlays, net (discretionary and mandatory)	**$ 83,659,856**	**$ 78,388,837**

The accompanying notes are an integral part of these statements.

STATEMENTS OF CUSTODIAL ACTIVITY
For The Fiscal Years Ended September 30, 2024 and 2023

	2024	2023
Revenue Activity:		
Sources of cash collections:		
Civil penalties/Administrative Fines/Miscellaneous	$ 957,240	$ 1,769,705
Total Cash Collections	957,240	1,769,705
Accrual Adjustments	(587,560)	(299,692)
Total Custodial Revenue	**$ 369,680**	**$ 1,470,013**
Disposition of Collections:		
Transferred to Others (by Recipient)	$ 957,240	$ 1,769,705
(Increase)/Decrease in Amounts Yet to be Transferred (+/-)	(587,560)	(299,692)
Total Disposition of Collections	**369,680**	**1,470,013**
Net Custodial Activity	$ -	$ -

Notes to the Financial Statements

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

The Federal Election Commission (FEC or Commission) was created in 1975 as an independent regulatory agency with exclusive responsibility for administering, enforcing, defending, and interpreting the *Federal Election Campaign Act of 1971* (FECA), 2 U.S.C. 431 et seq., as amended ("the Act"). The Commission is also responsible for administering the public funding programs (26 U.S.C. §§ 9001- 9039) for Presidential campaigns, which include certification and audits of all participating candidates and committees, and enforcement of public funding legislation.

The financial activity presented relates to the execution of the FEC's Congressionally approved budget. Consistent with Federal Accounting Standards Advisory Board's *(*FASAB*) Statement of Federal Financial Accounting Concept No. 2, "Entity and Display,"* the Presidential Election Campaign Fund is not a reporting entity of the FEC. Financial activity of the fund is budgeted, apportioned, recorded, reported and paid by the U.S. Department of Treasury (Treasury). The accounts of the Presidential Election Campaign Fund are therefore not included in the FEC's financial statements.

Basis of Accounting and Presentation

As required by the *Accountability of Tax Dollars Act of 2002*, the accompanying financial statements present the financial position, net cost of operations, changes in net position, budgetary resources and custodial activity of the FEC. While these financial statements have been prepared from the books and records of the FEC in accordance with U.S. generally accepted accounting principles (GAAP) for the Federal Government and in accordance with the form and content for entity financial statements specified by the Office of Management and Budget (OMB) in Circular A-136, as revised, *Financial Reporting Requirements*, as well as the accounting policies of the FEC, the statements may differ from other financial reports submitted pursuant to OMB directives for the purpose of monitoring and controlling the use of the FEC's budgetary resources.

These financial statements reflect both accrual and budgetary accounting transactions. Under the accrual method of accounting, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Budgetary accounting is designed to recognize the obligation of funds according to legal requirements. Budgetary accounting is essential for compliance with legal constraints and controls over the use of federal funds.

Throughout these financial statements, assets, liabilities, revenues, and costs have been classified according to the type of entity with which the transactions are associated. Intragovernmental assets and liabilities are those resulting from transactions with other federal entities. Intragovernmental earned revenues are collections or accruals of revenue from other federal entities and intragovernmental costs are payments or accruals to other federal entities. These statements should be read with the understanding that they are for a component of the Federal Government, a sovereign entity.

Assets

Assets that an entity is authorized to use in its operations are termed entity assets, whereas assets that are held by an entity and are not available for the entity's use are termed non-entity assets. Most of the FEC's assets are entity assets and are available for use in carrying out the mission of the FEC as appropriated by Congress. The FEC also has non-entity assets which primarily consist of receivables from fines and penalties. These custodial collections are not available to the FEC to use in its operations and must be transferred to Treasury.

Fund Balance with Treasury

The FEC does not maintain cash in commercial bank accounts. Treasury processes cash receipts and disbursements. Fund Balance with Treasury consists of appropriated funds and custodial collections. With the exception of the custodial collections, these funds are available to pay current liabilities and finance authorized purchase commitments. Custodial collections, which are not available to finance FEC activities, are classified as non-entity assets.

Accounts Receivable

The FEC's Accounts Receivable mainly represents amounts due from the public for fines and penalties assessed by the FEC and referred to Treasury for collection. The FEC establishes an allowance for the estimated loss on accounts receivable from the public that are deemed uncollectible accounts. This allowance is included in Accounts Receivable, net on the balance sheet. The allowance is a percentage of the overall receivable balance, based on the collection rate of past balances.

General Property and Equipment

General Property and Equipment (P&E) is reported at acquisition cost and consists of items that are used by the FEC to support its mission. Depreciation or amortization on these assets is calculated using the straight-line method with zero salvage value. Depreciation or amortization of an asset begins the day it is placed in service. Maintenance, repairs and minor renovations are expensed as incurred. Expenditures that materially increase the value, capacity or useful life of existing assets are capitalized. Refer to Note 5 *General Property and Equipment, Net* for additional details.

Liabilities

Liabilities represent amounts that are likely to be paid by the FEC as the result of transactions or events that have already occurred; however, no liabilities are paid by the FEC without an appropriation. Intragovernmental liabilities arise from transactions with other federal entities. Liabilities classified as not covered by budgetary resources are liabilities for which appropriations have not been enacted (e.g., annual leave benefits and actuarial liability under the

Federal Employees Compensation Act), or those resulting from the agency's custodial activities. The FEC has an intragovernmental liability to Treasury for fines, penalties and miscellaneous receipts which are due from the public but have not yet transferred. These funds may not be used to fund FEC operations.

Accounts Payable

Accounts Payable consists of liabilities to other entities or persons for amounts owed for goods and services received that have not yet been paid at the end of the fiscal year. Accounts Payable also consists of disbursements in-transit, which are payables that have been recorded by the FEC and are pending payment by Treasury. In addition to accounts payables recorded through normal business activities, unbilled payables are estimated based on historical data.

Accrued Payroll and Employer Contribution

Accrued payroll and benefits represent salaries, wages and benefits earned by employees, but not yet disbursed as of the statement date. Accrued payroll and Thrift Savings Plan contributions are not classified as intragovernmental. Employer contributions and payroll taxes payable are classified as intragovernmental.

Annual, Sick and Other Leave

Annual leave is recorded as a liability when it is earned by FEC employees; the liability is reduced as leave is taken. On a quarterly basis, the balance in the accrued leave account is adjusted to reflect the current leave balances and pay rates. Accrued annual leave is paid from future funding sources and is reflected as a liability not covered by budgetary resources. Sick leave and other types of non-vested leave are expensed as taken.

Federal Employee Benefits

A liability is recorded for estimated and actual future payments to be made for workers' compensation pursuant to the *Federal Employees Compensation Act*. The liability consists of the net present value of estimated future payments calculated by the Department of Labor (DOL) and the actual unreimbursed cost paid by DOL for compensation paid to recipients under the *Federal Employee's Compensation Act*. The future workers' compensation estimate is generated by DOL through an application of actuarial procedures developed to estimate the liability for the *Federal Employee's Compensation Act*, which includes the expected liability for death, disability, medical and miscellaneous costs for approved compensation cases. The liability is calculated using historical benefit payment patterns related to a specific incurred period to estimate the total payments related to that period. These projected annual benefits payments are discounted to present value.

Employee Retirement Plans

Each fiscal year, the Office of Personnel Management (OPM) estimates the Federal Government service cost for all covered employees. This estimate represents an annuity dollar amount which, if accumulated and invested each year of an employee's career, would provide sufficient funding to pay for that employee's future benefits. As the Federal Government's estimated service cost exceeds the amount of contributions made by employer agencies and covered employees, this plan is not fully funded by the FEC and its employees. As of September 30, 2024, the FEC recognized approximately $4,871,621 as an imputed cost and related financing source, for the difference between the estimated service cost and the contributions made by the FEC and its employees. This represents a 29% increase when compared to the $3,769,754 of imputed cost and related financing source recognized in Fiscal Year 2023.

FEC employees participate in either the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS), which became effective on January 1, 1987. For employees participating in CSRS, the FEC withheld 7% of base pay earnings and provided a matching contribution equal to the sum of the withholding. For employees covered by FERS, the FEC withheld .8% of base pay earnings and provided the agency contribution. The majority of FEC employees hired after December 31, 1983, are automatically covered by FERS.

Effective January 1, 2013, the *Middle Class Tax Relief and Job Creation Act of 2012* created a new FERS retirement category, Revised Annuity Employees (RAE) for new federal employees hired in calendar year (CY) 2013 or thereafter. In FY 2024, the FERS-RAE employee contribution rate was 3.1%.

Effective January 1, 2014, the *Bipartisan Budget Act of 2013* introduced a new FERS retirement category, Further Revised Annuity Employees (FRAE) for new federal employees hired in CY 2014 and thereafter. In FY 2024, the FERS-FRAE employee contribution rate was 4.4%.

FERS contributions made by employer agencies and covered employees are comparable to the Federal Government's estimated service costs. For FERS covered employees, the FEC made contributions of 18.4% of basic pay for FY 2024. For both FERS-RAE and FERS-FRAE covered employees, the FEC made contributions of 16.5% and 16.28% respectfully of basic pay for FY 2024.

Employees participating in FERS are covered under the *Federal Insurance Contribution Act (FICA)*, for which the FEC contributed 6.2% to the Social Security Administration in FY 2024. Effective in FY 2012 FERS and CSRS – Offset employees were granted a 2% decrease in Social Security for tax year (CY) 2012 under the *Temporary Payroll Tax Cut Continuation Act of 2011*; and *H.R. 3630, the Middle-Class Tax Relief and Job Creation Act of 2012*. During FY 2013, employees contributed 4.2% to Social Security through December 31, 2012. Effective January 1, 2013, the employee contribution rate is 6.2%.

Thrift Savings Plan

The Thrift Savings Plan (TSP) is a retirement savings and investment plan for employees covered by either CSRS or FERS. The TSP is administered by the Federal Retirement Thrift Investment Board on behalf of federal agencies. For employees belonging to FERS, the FEC automatically contributes 1% of base pay to their account and matches contributions up to an additional 4%. For employees belonging to CSRS, there is no governmental matching contribution.

The FEC does not report on its financial statements CSRS and FERS assets, accumulated plan benefits or unfunded liabilities, if any, which may be applicable to FEC employees. Reporting such amounts is the responsibility of the Office of Personnel Management. The portion of the current and estimated future outlays for CSRS and FERS not paid by the FEC is in accordance with *Statement of Federal Financial Accounting Standards (*SFFAS*) No. 5, Accounting for Liabilities of the Federal Government*, and is included in the FEC's financial statements as an imputed financing source.

Commitments and Contingencies

A contingency is an existing condition, situation or set of circumstances involving uncertainty as to possible gain or loss. The uncertainty will ultimately be resolved when one or more future events occur or fail to occur. SFFAS No. 5, as amended by SFFAS No. 12, *Recognition of Contingent Liabilities Arising from Litigation,* contains the criteria for recognition and disclosure of contingent liabilities. A contingency is recognized in the financial statements when a past event or exchange transaction has occurred, a future outflow or other sacrifice of resources is probable and the future outflow or sacrifice of resources is measurable. A contingency is disclosed in the footnotes when any of the conditions for liability recognition are not met and the chance of the future confirming event or events occurring is more than remote but less than probable. In other words, contingent losses that are assessed as probable and measurable are accrued in the financial statements. Losses that are assessed to be at least reasonably possible are disclosed in the notes.

According to OMB Circular A-136, as revised, in addition to the contingent liabilities required by SFFAS No. 5, the following commitments should be disclosed: 1) an estimate of obligations related to cancelled appropriations for which the reporting entity has a contractual commitment for payment; and 2) amounts for contractual arrangements which may require future financial obligations. The FEC does not have commitments related to cancelled appropriations or amounts for contractual arrangements that would require future financial obligations.

Revenues and Other Financing Sources

Annual Appropriation

As a component of the Government-wide reporting entity, the FEC is subject to the Federal budget process, which involves appropriations that are provided annually and appropriations that are provided on a permanent basis. The financial transactions that are supported by budgetary resources, which include appropriations, are generally the same transactions reflected in agency and the Government-wide financial reports.

The FEC received all of its funding through an annual appropriation as provided by Congress. Additionally, the FEC received funding through reimbursement for services provided to other Federal agencies. Services performed for other Federal agencies under reimbursable agreements are financed through the account providing the service and reimbursements are recognized as revenue when earned.

The FEC's budgetary resources reflect past congressional action and enable the entity to incur budgetary obligations, but they do not reflect assets to the Government as a whole. Budgetary obligations are legal obligations for goods, services, or amounts to be paid based on statutory provisions (e.g., Social Security benefits). After budgetary obligations are incurred, Treasury will make disbursements to liquidate the budgetary obligations and finance those disbursements in the same way it finances all disbursements, using some combination of receipts, other inflows, and borrowing from the public (if there is a budget deficit).

Imputed Financing Sources

In accordance with OMB Circular A-136, as revised, all expenses should be reported by agencies whether or not these expenses would be paid by the agency that incurs the expense. The amounts for certain expenses of the FEC, which will be paid by other federal agencies, are recorded in the Statement of Net Cost (SNC). A corresponding amount is recognized in the "Statement of Changes in Net Position" as an "Imputed Financing Source." These imputed financing sources primarily represent unfunded pension costs of FEC employees, as described above.

Statement of Net Cost

Net cost of operations is the total of the FEC's expenditures. The presentation of the statement is based on the FEC's strategic plan, which presents one program that is based on the FEC's mission and strategic goal. The program that reflects this strategic goal is to administer and enforce the *Federal Election Campaign Act* efficiently and effectively.

Net Position

Net position is the residual difference between asset and liabilities and consists of unexpended appropriations and cumulative results of operations. Unexpended appropriations include the portion of the FEC's appropriations represented by undelivered orders and unobligated balances. Unobligated balances associated with appropriations that expire at the end of the fiscal year remain available for obligation adjustments, but not for new obligations, until that account is cancelled, five years after the appropriations expire. Cumulative results of operations represent the excess of financing sources over expenses since inception.

Statement of Custodial Activity

The Statement of Custodial Activity summarizes collections transferred or transferable to Treasury for miscellaneous receipts, fines and penalties assessed by the FEC. These amounts are not available for FEC operations, and accordingly, are reported as custodial revenue.

Use of Estimates

The preparation of the accompanying financial statements in accordance with GAAP requires management to make certain estimates and assumptions that directly affect the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from these estimates.

Classified Activities

Accounting standards require all reporting entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information. The FEC has no classified activities.

Restatement

In FY 2022, the FEC entered into an agreement to develop and implement a secure, custom-built, open-source, cloud-based electronic filing data application. The objective of this system is to allow filers to seamlessly submit reports and statements to the FEC using any device, operating system, or browser, at any time, regardless of data file size or transaction count.

During the first two years of the project, the invoicing from the contractor did not segregate costs between research and asset development. Consequently, these costs were expensed in FY 2022 and 2023. As part of its periodic review of assets in FY 2024, the FEC determined that a portion of these costs related to the development of a software system and should have been capitalized as assets. This correction resulted in the restatement of the FY 2023 financial statements to reflect the reclassification of costs. A detail description is provided in footnote 15.

Note 2 Non-Entity Assets

Non–entity assets, which primarily represent amounts due to the FEC for fines and penalties on those that violated the requirements of the *Federal Election Campaign Act*, consisted of the following as of September 30, 2024, and September 30, 2023:

	2024	2023 Restated
With the Public		
Accounts Receivable - Custodial	$ 1,606,118	$ 1,018,558
Total non-entity assets	**1,606,118**	**1,018,558**
Total entity assets	**26,350,013**	**28,830,460**
Total Assets	**$ 27,956,131**	**$ 29,849,018**

Note 3 Fund Balance with Treasury

Fund Balance with Treasury consisted of the following as of September 30, 2024 and September 30, 2023:

	2024	2023
Fund Balances		
Appropriated Funds	$ 22,648,301	$ 24,116,788
Total	**$ 22,648,301**	**$ 24,116,788**

	2024	2023
Status of Fund Balance with Treasury		
Unobligated Balance		
Available	$ 4,375,218	$ 598,461
Unavailable	772,906	3,558,173
Obligated Balance not yet Disbursed	$ 17,500,176	$ 19,960,154
Total	**$ 22,648,300**	**$ 24,116,788**

Available unobligated balances represent amounts that are apportioned for obligation in the current fiscal year. Unavailable unobligated balances represent amounts that are not apportioned for obligation during the current fiscal year and expired appropriations that are no longer available to incur new obligations. Obligated balances not yet disbursed include amounts designated for payment of goods and services ordered but not received, or goods and services received but for which payment has not yet been made.

Note 4 - Accounts Receivables, Net

Accounts receivable consist of the following as of September 30, 2024 and September 30, 2023:

	2024		
	Gross Accounts Receivable	**Allowance**	**Net Accounts Receivable**
Intragovernmental			
Intragovernmental	$ -	$ -	$ -
Total Intragovernmental	**$ -**	**$ -**	**$ -**
With the Public			
Fines and Penalties	$ 1,790,114	$ 183,996	$ 1,606,118
Total Non-Entity	**$ 1,790,114**	**$ 183,996**	**$ 1,606,118**
Total	**$ 1,790,114**	**$ 183,996**	**$ 1,606,118**

	2023		
	Gross Accounts Receivable	**Allowance**	**Net Accounts Receivable**
Intragovernmental			
Intragovernmental	$ -	$ -	$ -
Total Intragovernmental	**$ -**	**$ -**	**$ -**
With the Public			
Fines and Penalties	$ 2,220,051	$ 1,201,493	$ 1,018,558
Total Non-Entity	**$ 2,220,051**	**$ 1,201,493**	**$ 1,018,558**
Total	**$ 2,220,051**	**$ 1,201,493**	**$ 1,018,558**

Non-Entity receivables consist of civil penalties and administrative fines assessed by the FEC through its enforcement processes or conciliation agreements reached with parties. The FEC has three offices that administer the penalties: the Office of General Counsel (OGC); the Office of Administrative Review (OAR); and the Office of Alternative Dispute Resolution (ADR). Each office has a distinct role in the enforcement and collection process. The allowance is based on the historical rate of collection and an overall assessment of the debtor's willingness and ability to pay. Delinquent debts are referred to Treasury in accordance with the *Debt Collection Improvement Act of 1996*. The terms of the agreement between the FEC and the parties establish the conditions for collection. The "intragovernmental accounts receivable" is primarily attributed to the Deputy Inspector General servicing a Federal agency on a reimbursable basis pursuant to the Inspector General Act.

Note 5 General Property and Equipment, Net

General Property and Equipment (P&E) is reported at acquisition cost. The capitalization threshold is established at $25,000 and a useful life of two or more years. For bulk purchases, items are capitalized when the individual useful lives are at least two years and have an aggregate value of $250,000 or more. Acquisitions of P&E that do not meet the capitalization criteria are recorded as operating expenses.

General P&E consists of items that are used by the FEC to support its mission. Depreciation or amortization on these assets is calculated using the straight-line method with no salvage value. Depreciation or amortization begins the day the asset is placed in service. Maintenance, repairs and minor renovations are expensed as incurred. Expenditures that materially increase values, change capacities or extend useful lives are capitalized.

Effective FY 2017, the estimated useful life of assets such as office furniture and motor vehicles is five years. The estimated useful life of assets such as office equipment, IT equipment, IT software, telecommunications equipment, and audio/visual equipment is three years.

The office building in which the FEC operates is leased through the General Services Administration (GSA) under an occupancy agreement, which manages the lease agreement between the Federal Government and the commercial leasing entity. The FEC is billed by GSA for the leased space based upon estimated lease payments made by GSA plus an administrative fee. The cost of the office building is not capitalized. The costs of any leasehold improvements, which are managed through GSA, are financed with FEC appropriated funds. Construction costs of $25,000 or more are accumulated as construction in progress until completion and then are transferred and capitalized as a leasehold improvement. Leasehold improvements are amortized over the lesser of five years or the remaining life of the lease term.

The internal use software development and acquisition cost capitalization threshold changed as a result of a new policy that was implemented in FY 2011. Internal use software development and acquisition costs of $250,000 or more are capitalized as software in development until the development stage is complete and the software is tested and accepted. At acceptance, costs of software in development are reclassified as internal use software costs and amortized using the straight-line method over an estimated useful life of three years. Purchased commercial software that does not meet the capitalization criteria is expensed. In addition, enhancements which do not add significant new capability or functionality are also expensed.

The general components of capitalized property and equipment, net of accumulated depreciation or amortization, consisted of the following as of September 30, 2024 and September 30, 2023, respectively:

2024	Software	Computers and peripherals	Leasehold Improvements	Software-in-Development	Total
Service Life (years)	3	3	5	n/a	
Cost balance, beginning of the year	$ 17,522,904	$ 2,898,979	$ 10,125,947	$ 3,054,514	$ 33,602,344
Capital Acquisitions	-	341,680	-	3,254,159	3,595,839
Dispositions	-	-	-	(3,054,514)	(3,054,514)
Cost balance, end of year	17,522,904	3,240,659	10,125,947	3,254,159	34,143,669
Accumulated depreciation	(17,443,272)	(2,872,738)	(10,125,947)	-	(30,441,957)
Net Book Value	**$ 79,632**	**$ 367,921**	**$ -**	**$ 3,254,159**	**$ 3,701,712**

2023 Restated	Software	Computers and peripherals	Leasehold Improvements	Software-in-Development	Total
Service Life (years)	3	3	5	n/a	
Cost balance, beginning of the year	$ 17,522,904	$ 2,898,979	$ 10,125,947	$ 4,167,887	$ 34,715,717
Capital Acquisitions					-
Dispositions	-	-	-	-	-
Cost balance, end of year	17,522,904	2,898,979	10,125,947	4,167,887	34,715,717
Accumulated depreciation	(17,267,698)	(2,608,400)	(10,125,947)	-	(30,002,045)
Net Book Value	**$ 255,206**	**$ 290,579**	**$ -**	**$ 4,167,887**	**$ 4,713,672**

Note 6 Liabilities Not Covered by Budgetary Resources

Liabilities Not Covered by Budgetary Resources consisted of the following as of September 30, 2024 and September 30, 2023:

		2024		2023
Intragovernmental:				
Custodial Fines and Civil Penalties	$	1,606,118	$	1,018,558
Deferred Rent		4,869,241		5,465,474
Total Intragovernmental	**$**	**6,475,359**	**$**	**6,484,032**
With The Public:				
Unfunded Annual Leave	$	3,511,012	$	3,438,901
Contingent Liability		25,000		120,000
Total With The Public	**$**	**3,536,012**	**$**	**3,558,901**
Total Liabilities Not Covered by Budgetary Resources	**$**	**10,011,371**	**$**	**10,042,933**
Total Liabilities Covered by Budgetary Resources	**$**	**5,065,748**	**$**	**4,962,252**
Total Liabilities	**$**	**15,077,119**	**$**	**15,005,185**

Liabilities not covered by budgetary resources require future congressional action whereas liabilities covered by budgetary resources reflect prior congressional action. Regardless of when the congressional action occurs, when the liabilities are liquidated, Treasury will finance the liquidation in the same way that it finances all other disbursements, using some combination of receipts, other inflows, and borrowing from the public (if there is a budget deficit). Liabilities that do not require the use of budgetary resources are covered by monetary assets that are not budgetary resources to the entity.

Beginning FY 2018, the FEC entered into a new lease agreement for its office building that provided a rent abatement of $8,943,504, which covers the equivalent of 22 months of rent. Consistent with generally accepted accounting principles, the FEC has recorded rent abatement as deferred rent, which is amortized over the life of the ten-year lease.

Note 7 Other Liabilities

As of September 30, 2024 and September 30, 2023, respectively, components of amounts reported on the Balance Sheet as Other Intragovernmental Liabilities and Other Liabilities along with a categorization of current versus long-term.

	2024		
	Non-Current	**Current**	**Total**
Other Intragovernmental Liabilities:			
Employer Contributions and Payroll Taxes Payable	$ -	$ 305,583	$ 305,583
Other Post Employment Benefits Due and Payable	-	3,500	3,500
Other Liabilities Without Related Budgetary Obligations	-	4,869,241	4,869,241
Custodial Liability	1,606,118	-	1,606,118
Total Other Intragovernmental Liabilities:	**$ 1,606,118**	**$ 5,178,324**	**$ 6,784,442**
Other Non-Federal Liabilities			
Other Liabilities Without Related Budgetary Obligations	-	2,750,000	2,750,000
Contingent Liability	-	25,000	25,000
Total Other Non-Federal Liabilities	**$ -**	**$ 2,775,000**	**$ 2,775,000**
Total Other Liabilities	**$ 1,606,118**	**$ 7,953,324**	**$ 9,559,442**

	2023		
	Non-Current	**Current**	**Total**
Other Intragovernmental Liabilities:			
Employer Contributions and Payroll Taxes Payable	$ -	$ 168,236	$ 168,236
Benefit program contributions payable	-	595,987	595,987
Other Liabilities Without Related Budgetary Obligations	-	5,465,474	5,465,474
Custodial Liability	1,018,558	-	1,018,558
Total Other Intragovernmental Liabilities:	**$ 1,018,558**	**$ 6,229,697**	**$ 7,248,255**
Other Non-Federal Liabilities			
Contingent Liability	-	120,000	120,000
Total Other Non-Federal Liabilities	**$ -**	**$ 120,000**	**$ 120,000**
Total Other Liabilities	**$ 1,018,558**	**$ 6,349,697**	**$ 7,368,255**

Note 8 Commitments and Contingencies

As of September 30, 2024, in the opinion of FEC management and legal counsel, the FEC was party to actions which could result in losses that are at least probable. Furthermore, there are no cases where amounts have not been accrued or disclosed because the amounts of the potential loss cannot be estimated, or the likelihood of an unfavorable outcome is considered remote.

As of September 30, 2024, and September 30, 2023, respectively, the following table includes the status of Commitments and Contingencies.

Contingent Loss Table

		Estimated Range of Loss	
	Accrued Liabilities	**Lower End**	**Upper End**
As of September 30, 2024 Legal Contingencies:			
Probable	$ 25,000	$ -	$ -
Reasonably Possible	$ -	$ -	$ -
As of September 30, 2023 Legal Contingencies:			
Probable	$ 25,000	$ 25,000	$ 25,000
Reasonably Possible	$ -	$ -	$ -

Note 9 Leases

The FEC did not have any capital leases as of September 30, 2024 or September 30, 2023. The FEC has a non-cancellable operating lease for its office space through November 30, 2032.

As contained in the FEC's Occupancy Agreement with the General Services Administration (GSA), as amended February 06, 2023, future payments under the operating lease are as follows:

Future Payments Due for Non-Cancelable Operating Lease - Building

	2024
Fiscal Year	**Lease Payment**
2025	5,445,247
2026	5,507,778
2027	5,572,186
2028	5,771,843
2029	5,866,837
2030	5,937,217
2031	6,009,708
2032	6,084,374
2033	945,751
Total	**$ 47,140,940**

As per the terms of the lease agreement, the FEC was granted a total of $8,943,503, or 22 months, in free rent from the lessor. Per the FEC's policy, the total free rent will be amortized as deferred rent over the life of the lease.

The table above represents the actual cash outlays for rent payments, as contained in the FEC's Occupancy Agreement with GSA, and does not include the amortized Deferred Rent referenced above.

Note 10 Inter-Entity Costs

The FEC recognizes certain inter-entity costs for goods and services that are received from other Federal entities at no cost or at a cost less than the full cost. Consistent with accounting standards, certain costs of the providing entity that are not fully reimbursed are recognized as imputed cost [in the Statement of Net Cost] and are offset by imputed revenue [in the Statement of Changes in Net Position]. Such imputed costs and revenues relate to employee benefits and claims to be settled by the Treasury Judgement Fund. The FEC recognizes as inter-entity costs the amount of accrued pension and post-retirement benefit expenses. However, unreimbursed costs of goods and services other than those identified above are not included in our financial statements for current employees. The assets and liabilities associated with such benefits are the responsibility of the administering agency, OPM. For the periods ended September 30, 2024 and 2023, respectively, inter-entity costs were as follows:

	2024	**2023**
Office of Personnel Management	$4,871,621	$3,769,754
Total Imputed Financing Sources	$4,871,621	$3,769,754

Note 11 Statement of Budgetary Resources

The Statement of Budgetary Resources (SBR) compares budgetary resources with the status of those resources. For the year ended September 30, 2024, budgetary resources were $87,688,424 and net outlays were $83,659,856. For the year ended September 30, 2023, budgetary resources were $85,746,363 and net outlays were $78,388,837.

Apportionment Categories of Obligations Incurred

The FEC receives apportionments of its resources from OMB. Apportionments are for resources that can be obligated without restriction, other than to be in compliance with legislation for which the resources were made available.

For the years ended September 30, 2024 and September 30, 2023, direct obligations incurred amounted to $82,540,300 and $81,589,728, respectively. For the years ended September 30, 2024 and September 30, 2023, reimbursable obligations incurred amounted to $25,000 and $117,000, respectively.

Comparison to the Budget of the United States Government

SFFAS No. 7, Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting, requires an explanation of material differences between budgetary resources available, the status of those resources and outlays as presented in the Statement of Budgetary Resources to the related actual balances published in the Budget of the United States Government (Budget). The Budget that will include FY 2024 actual budgetary execution information is scheduled for publication in February 2025, which will be available through OMB's website at http://www.whitehouse.gov/omb/budget. Accordingly, information required for such disclosure is not available at the time of publication of these financial statements. Balance reported in the FY 2023 SBR and related President's Budget reflect the following:

FY 2023	Budgetary Resources	New Obligations & Upward Adjustments	Net Outlays
Statement of Budgetary Resources	$ 85,746,363	$ 81,589,728	$ 78,388,837
Difference 1 - Expired Unobligated Balances	(3,558,173)		
Difference 2 - Rounding (+/-)	(188,190)	(589,728)	(388,837)
Budget of the U.S. Government	**$ 82,000,000**	**$ 81,000,000**	**$ 78,000,000**

The difference between the Statement of Budgetary Resources and the *Budget of the United States Government* for budgetary resources is primarily due to expired unobligated balances and rounding. The differences for obligations incurred and net outlays are due to rounding.

Net Adjustments to Unobligated Balance, Brought Forward, October 1

The Unobligated Balance Brought Forward from the prior fiscal year has been adjusted for recoveries of prior year paid and unpaid obligations and other changes such as canceled authority. The Adjustments to Unobligated Balance Brought Forward, October 1, as of September 30, 2024, and 2023, consisted of the following:

	2024	2023
Unobligated Balance Brought Forward From Prior Year, October 1	$ 9,656,634	$ 6,079,564
Recoveries of Prior Year Obligations	1,315,421	892,376
Other Changes in Unobligated Balances	(4,165,631)	(3,016,577)
Unobligated Balance From Prior Year Budget Authority, Net	**$ 6,806,424**	**$ 3,955,363**

Note 12 Custodial Revenues and Liability

The FEC uses the accrual basis of accounting for the collections of fines, penalties and miscellaneous receipts. The FEC's ability to collect fines and penalties is based on the responsible parties' willingness and ability to pay:

Custodial Revenue	**2024**	**2023**
Fines, Penalties, and Other Miscellaneous Revenue	$ 369,680	$ 1,470,013
Custodial Liability		
Receivable for Fines and Penalties	$ 1,790,115	$ 2,220,051
Less: Allowance for Doubtful Accounts	(183,996)	(1,201,493)
Total Custodial Liability	**$ 1,606,118**	**$ 1,018,558**

The Custodial Liability account represents the amount of custodial revenue pending transfer to Treasury. Accrual adjustments reflected on the Statement of Custodial Activity represent the difference between the FEC's opening and closing accounts receivable balances. Accounts receivable are the funds owed to the FEC (as a custodian) and ultimately to Treasury. The accrual adjustment for civil penalties is composed of a net increase of approximately $82,540 for FY 2024 and a net decrease of approximately $159,152 for FY 2023, respectively. The accrual adjustment for administrative fines is composed of a net increase of approximately $464,288 in FY 2024 and a net increase of approximately $303,238 in FY 2023, respectively.

Note 13 Undelivered Orders at the End of the Period

For Fiscal Year 2024, Unpaid Undelivered orders were $15,184,428, of which $2,073,094 were Federal and $13,111,333 were non-Federal. As of September 30,2024, there were no Fiscal Year 2024 Paid Undelivered Orders.

For Fiscal Year 2023, Unpaid Undelivered orders were $14,997,902, of which $2,112,455 were Federal and $12,885,447 were non-Federal. As of September 30, 2023, there were no Fiscal Year 2023 Paid Undelivered Orders.

Note 14 - Reconciliation of Net Operating Cost to Net Budgetary Outlays

Budgetary and financial accounting information differ. Budgetary accounting is used for planning and control purposes and relates to both the receipt and use of cash, as well as reporting the federal deficit. Financial accounting is intended to provide a picture of the government's financial operations and financial position, so it presents information on an accrual basis. The accrual basis includes information about costs arising from the consumption of assets and the incurrence of liabilities. The reconciliation of net outlays, presented on a budgetary basis, and the net cost, presented on an accrual basis, provides an explanation of the relationship between budgetary and financial accounting information. The reconciliation serves not only to identify costs paid for in the past and those that will be paid in the future, but also to assure integrity between budgetary and financial accounting. The analysis below illustrates this reconciliation by listing the key differences between net cost and net outlays.

FY 2024 Reconciliation of Net Operating Cost & Net Bugetary Outlays

	Intragovernmental	With the Public	Total
Net Cost	**$ 25,139,575**	**$ 58,083,722**	**$ 83,223,297**
Components of net cost not part of the budgetary outlays			
Property, plant, and equipment depreciation		(439,912)	(439,912)
Increase/(Decrease) in Assets:			
(Increase)/Decrease in Liabilities:			
Accounts payable	478,214	268,705	746,919
Federal employee and veteran benefits payable	-	1,372,334	1,372,334
Other Liabilities	1,051,373	95,000	1,146,373
Financing Sources:			
Imputed Cost	(4,871,621)	-	(4,871,621)
Total Components of net operating cost not part of the budgetary outlays	**(3,342,034)**	**1,296,127**	**(2,045,907)**
Acquisition of capital assets	-	3,595,838	3,595,838
Other Temporary Timing Differences	-	(1,113,372)	(1,113,372)
Total Net Outlays (Calculated Total)	**(3,342,034)**	**3,778,593**	**436,559**
Budgetary Agency Outlays, net (SBR 4210)			
Budgetary Agency Outlays, net			**$ 83,659,856**

FY 2023 Reconciliation of Net Operating Cost & Net Bugetary Outlays (restated)

	Intragovernmental	With the Public	Total
Net Operating Cost (SNC)	**$ 23,791,413**	**$ 58,083,722**	**$ 81,875,135**
Components of Net Cost Not Part of the Budgetary Outlays			
Property, plant, and equipment depreciation	-	(975,166)	(975,166)
(Increase)/Decrease in Liabilities:	-	-	-
Accounts payable	(10,208)	(156,664)	(166,872)
Federal employee and veteran benefits payable	-	(93,703)	(93,703)
Other Liabilities	575,287	-	575,287
Financing Sources:			
Imputed Cost	(3,769,754)	-	(3,769,754)
Total Components of Net Operating Cost Not Part of the Budget Outlays	(3,204,675)	(1,225,533)	(4,430,208)
Acquisition of capital assets	1,113,372	-	1,113,372
Total Components of the budget outlays that are not part of net operating cost	1,113,372	-	1,113,372
Other Temporary Timing Differences	-	(169,462.00)	(169,462.00)
Total Net Outlays (Calculated Total)	**(2,091,303)**	**(1,394,995)**	**(3,486,298)**
Budgetary Agency Outlays, net (SBR 4210)			
Budgetary Agency Outlays, net			$ 78,388,837

Note 15 – Prior Period Adjustment

In 2022, the FEC entered into an agreement to develop and implement a secure, custom-built, open-source, cloud-based electronic filing data application. The objective of this system is to allow filers to seamlessly submit reports and statements to the FEC using any device, operating system, or browser, at any time, regardless of data file size or transaction count.

The scope of the contract includes a phased approach to implementing this secure filing system. However, during the first two years of the project, the invoicing from the contractor did not segregate costs between research and asset development. Consequently, these costs were expensed in fiscal years (FY) 2022 and 2023. As part of its periodic review of assets in FY 2024, the FEC determined that a portion of these costs related to the development of a software system and should have been capitalized as assets.

This correction resulted in the restatement of the FY 2023 financial statements to reflect the reclassification of costs. Beginning in FY 2024, the FEC adopted the agile methodology to more accurately segregate project research costs from asset development costs. Agile methodology is an iterative and incremental approach to software development that emphasizes collaboration among self-organizing, cross-functional teams. By applying this methodology in FY 2024, the FEC was able to reclassify certain FY 2022 and FY 2023 costs as assets.

With assistance from a technical expert and the contractor, the FEC performed a detailed review and reclassification of costs, summarized as follows:

Fiscal Years	Reclassified as Asset
BBFY 22 obligation	
FY22 expense	169,462
FY23 expense	505,073
BBFY 23 obligation	
FY23 expense	438,837
Total Reclassification	**$ 1,113,372**

The FY 2024 comparative financial statements reflect the results of applying the agile approach, leading to the restatement of $1,113,372.31 of FY 2022 and FY 2023 costs previously recorded as expenses. All applicable FY 2024 costs related to this project were appropriately recorded as assets.

This restatement has been made to ensure compliance with appropriate accounting standards and to reflect a more accurate representation of the FEC's software development activities.

As a result of the corrections, the FEC restated the FY 2023 financial statements. The restatements are presented in the comparative financial statements. There is no net effect to the restatements beyond the lines presented below on the Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position and as reflected on the following notes: Note 2 Non-Entity Assets, Note 5 General Property and Equipment, Net, and Note 14 Reconciliation of Net Operating Cost to Net Budgetary Outlays.

	FY 2023 as Stated	Adjustment	FY 2023 Restated
Balance Sheet			
Assets:			
Other Than Intragovernmental:			
Property, Plant and Equipment	$ 3,600,300	$ (1,113,372)	$ 4,713,672
Total Other than Intragovernmental Assets	4,618,858	(1,113,372)	5,732,230
Total Assets	**$ 28,735,646**	**$ (1,113,372)**	**$ 29,849,018**
Net Position:			
Cumulative Results of Operations	(5,415,420)	(1,113,372)	(4,302,048)
Total Net Position	13,730,461	(1,113,372)	14,843,833
Total Net Position	**13,730,461**	**(1,113,372)**	**14,843,833**
Total Liabilities and Net Position	**$ 28,735,646**	**$ (1,113,372)**	**$ 29,849,018**
Statement of Net Cost			
Program Costs:			
Gross Cost	$ 82,936,045	$ 943,910	$ 81,992,135
Net Program Costs	82,819,045	943,910	81,875,135
Net Cost of Operations	**$ 82,819,045**	**$ 943,910**	**$ 81,875,135**
Statement of Changes in Net Position			
Cumulative Results from Operations			
Corrections of errors (+/-)	$ 184,607)	$ (169,462)	$ (15,145.00)
Beginning balances, as adjusted	(5,129,982)	(169,462)	(4,960,520)
Net Cost of Operations	(82,819,045)	(943,910)	(81,875,135)
Net Change in Cumulative Results of Operations	(285,438)	(943,910)	658,472
Total Cumulative Results of Operations	**(5,415,420)**	**(1,113,372)**	**(4,302,048)**
Net Position	**$(13,730,461)**	**$(28,574,294)**	**$ 14,843,833**

SECTION III – Other Information

Federal Election Commission

Office *of the* Inspector General

Management and Performance Challenges Facing the FEC for FY 2025

November 13, 2024

Table of Contents

Introduction and Approach

Why do we publish this report?

In accordance with the Reports Consolidation Act of 2000, the Federal Election Commission (FEC or Commission) Office of the Inspector General (OIG) identifies the most serious management and performance challenges facing the Commission and provides a brief assessment of the Commission's progress in addressing those challenges. By statute, this report is required to be included in the FEC's Agency Financial Report.

What are management challenges?

The Government Performance and Results Modernization Act of 2010 identifies major management challenges as programs or management functions that are vulnerable to waste, fraud, abuse, and mismanagement, and where a failure to perform well could seriously affect the ability of the agency to achieve its mission objectives. Each challenge area is related to the agency's mission and reflects both continuing vulnerabilities and emerging issues. The FEC OIG identified the top management and performance challenges facing the Commission as the following:

- Budget
- Modernization of information systems and cybersecurity
- Growth of election contributions
- Outdated statutory pay structure

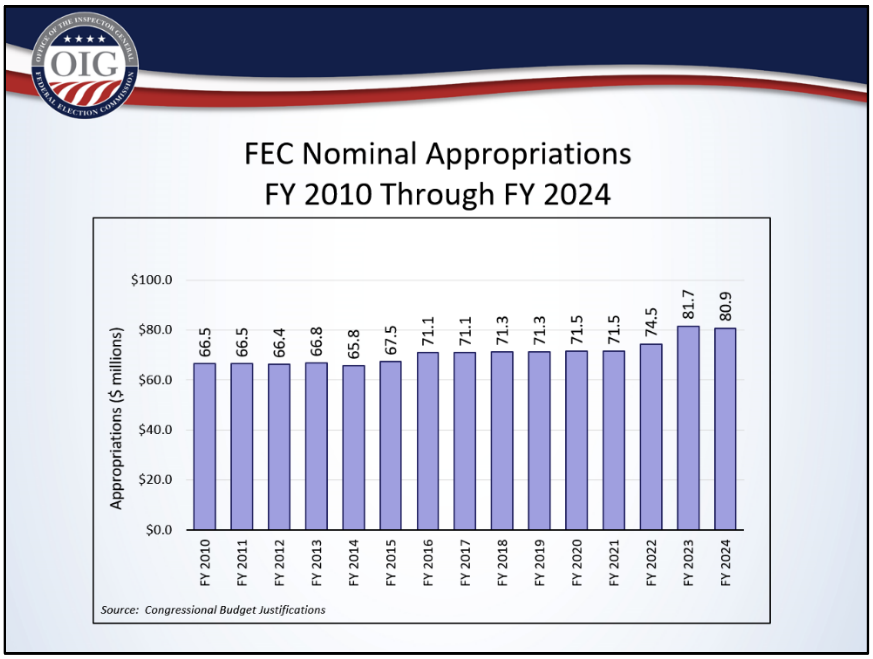
How did we identify these challenges?

We identified the Commission's major management and performance challenges by recognizing and assessing key themes from OIG audits, special reviews, hotline complaints, investigations, and an internal risk assessment, as well as reports published by external oversight bodies, such as the Office of Personnel Management (OPM) and the Government Accountability Office (GAO). Additionally, we reviewed previous management challenge reports to determine if those challenges remain significant for this submission. Finally, we considered publicly available information and internal Commission records. As a result, we identified four key management and performance challenges, which are detailed herein.

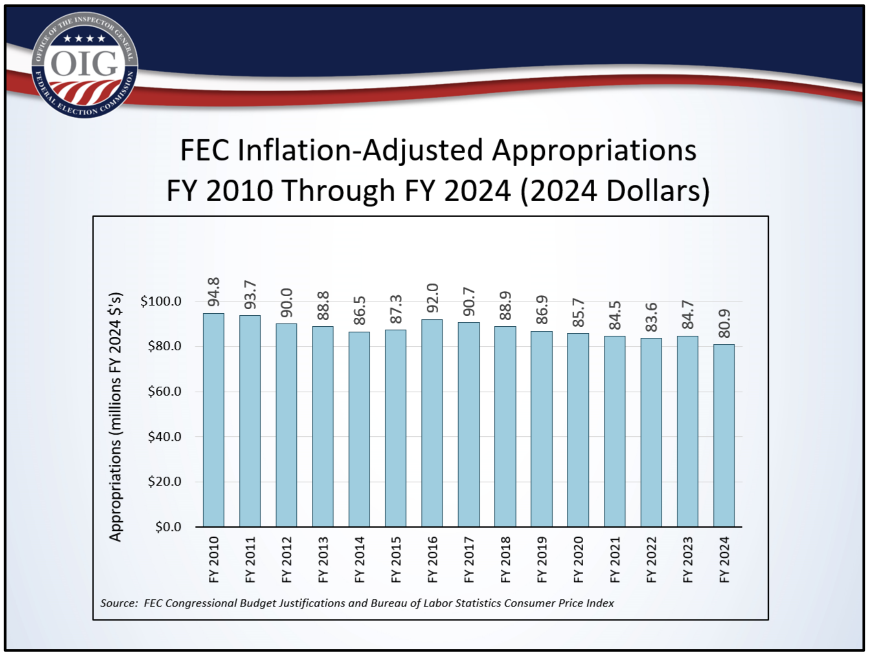
Management and Performance Challenge: Budget

Background

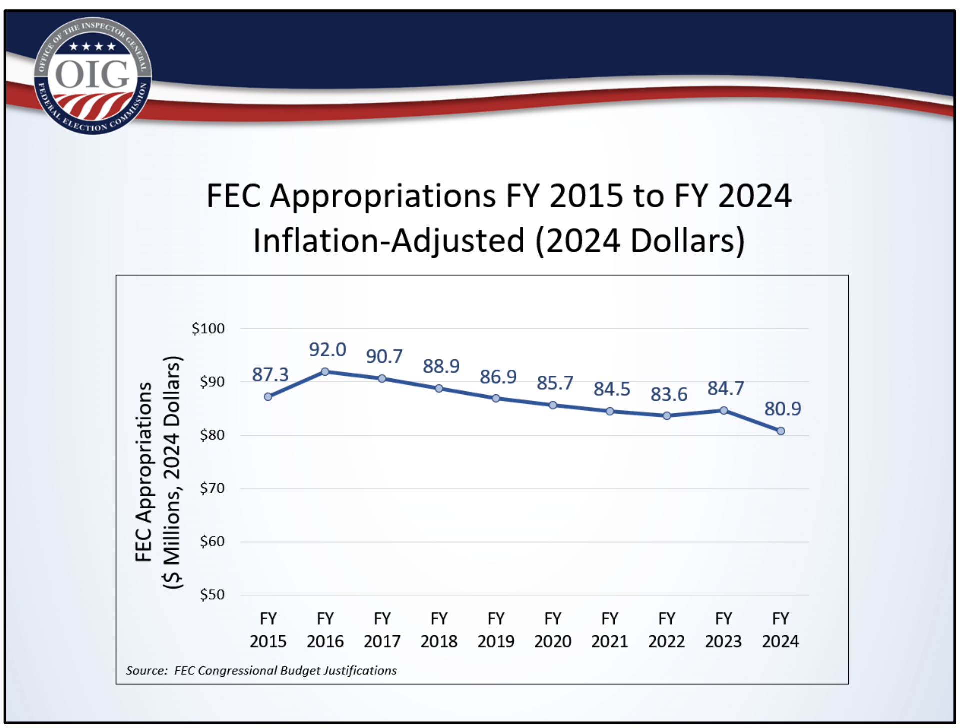
Despite a dramatic increase in campaign expenditures and the number of transactions subject to FEC regulation and oversight, the FEC's budget has remained largely static. When adjusted for inflation, the Commission's budget has actually decreased.[33]

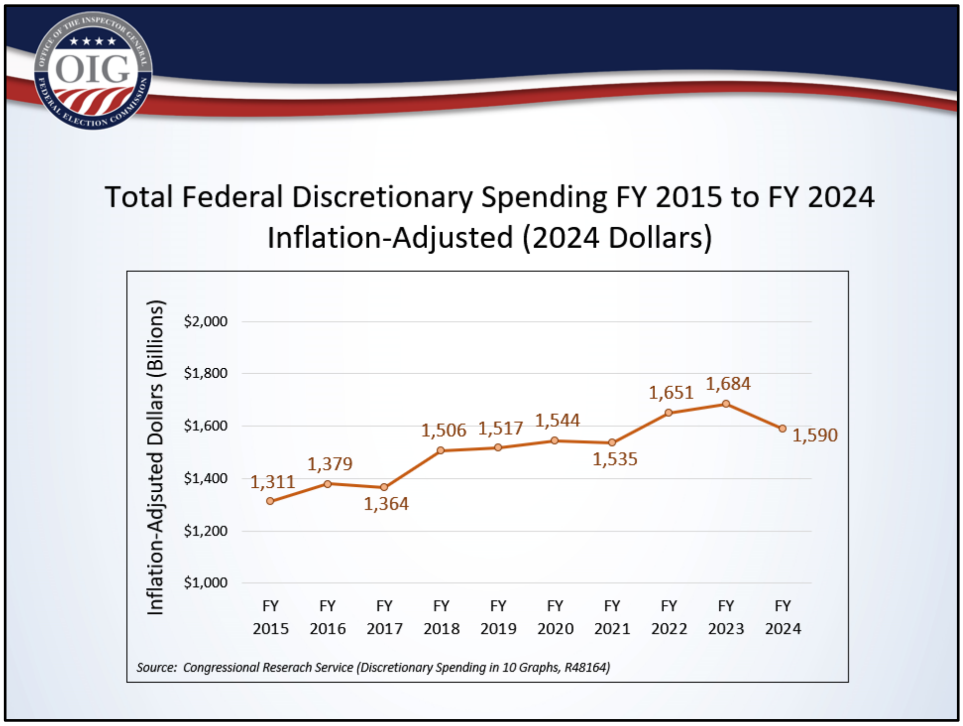


33 In FY 2016 and FY 2017, Congress appropriated $5 million and $8 million, respectively, for one-time costs associated with the move of the FEC's headquarters. These funds are excluded from the charts.



Between FY 2015 to FY 2024, the FEC's nominal appropriation has increased by an average of only 2 percent per year. In comparison, according to the Congressional Budget Office, the federal base discretionary budget authority during the same period has grown an average of 5.1 percent per year.





Increasing Personnel Costs

The agency's budget for FY 2024 is approximately $80.8 million. Of this, personnel costs account for $57.5 million, or over 70 percent of the FEC's budget. The White House has announced a pay increase of 1.7 percent plus a locality-based adjustment of 0.3 percent, which is expected to raise the agency's personnel compensation and benefits by at least $1.1 million for 2025.[34]

Further, the Continuing Appropriations and Extensions Act, 2025 maintains FEC's funding at the FY 2024 levels until December 2024. If this funding level is extended throughout FY 2025, the agency faces a budget shortfall of $1.6 million to maintain FY 2024 personnel and operations levels, and the FEC will have the lowest funding level in more than 20 years, when adjusted for inflation.

As the agency's budget has tightened over the years, it has understandably prioritized staffing, since without its skilled employees, the FEC cannot accomplish its mission. However, as

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[34] White House, Letter to the Speaker of the House and President of the Senate on an Alternative Plan for Pay Adjustments for Civilian Federal Employees, (Aug. 30, 2024) available at: www.whitehouse.gov/briefing-room/statements-releases/2024/08/30/letter-to-the-speaker-of-the-house-and-president-of-the-senate-on-the-alternative-plan-for-pay-adjustments-for-civilian-federal-employees/

indicated in the FEC's FY 2025 Congressional Budget Justification, this has come at the expense of certain critical non-personnel costs. The FEC has reduced IT operational costs and largely refrained from funding the modernization of certain systems since FY 2016 to stay within appropriated levels. In FY 2016, the FEC spent approximately 35 percent of its budget on non-personnel costs; in FY 2024, that number has fallen to less than 30 percent.

Negative Impact on Agency Functions

The OIG notes that the agency has taken significant action to minimize the negative impacts of its low funding and staffing levels. In anticipation of flatline appropriations from FY 2023 to FY 2024, agency management deferred hiring, training, and travel in early FY 2024. Management cross-trained personnel when feasible to maintain continuity of service and mitigate the risks associated with staff turnover. The enacted FEC appropriation for FY 2024 was approximately 1.0% less that the FY 2023 appropriation level, constituting a cut of $817,000.

Despite these valiant efforts, the FEC has been clear about the negative impact that its funding levels have had on agency operations. For example, management reported in the FEC's FY 2025 Congressional Budget Justification that the Reports Analysis Division (RAD) was forced to stop assigning one campaign finance analyst to every authorized committee.[35] Instead, managers, who lack the analysts' familiarity and established relationships with the committees, now respond to inquiries from unassigned committees as availability permits.

The agency also reported that staff shortages in FY 2021 and FY 2023, combined with an unprecedented number of campaign finance filings, negatively impacted the agency's ability to process reports and make them available to the public within 30 days of receipt.[36] The agency also stated that in FY 2022, staff shortages in the audit division adversely affected the percentage of Proposed Final Audit Report (PFAR) approved by the Commission within two years of initiating audit fieldwork.[37] Similarly, in FY 2023, staffing shortages affected OGC's capacity to present enforcement matters to the Commission for initial review within one year of receipt.[38] Quarterly updates mandated by the Commission were also affected by staffing shortages across FY 2021, FY 2022, and FY 2023.[39]

Additionally, the FEC also included the following significant warning in its budget justification to Congress:

35 FEC's FY 2025 Congressional Budget Justification, at 13-14.
36 Id. at 33.
37 Id. at 41.
38 Id.
39 Id. at 47.

> Absent funding at the $93.5 million level, the agency is not confident of its ability to meet the disclosure demands of the 2028 presidential election cycle. The increasing volume of reported campaign finance transactions continues to strain the agency's systems. Although the total number of transactions received during the 2022 midterm cycle was slightly lower than that received during the 2020 presidential election cycle, the agency still struggled to successfully process the number of transactions received on any particular day during the 2022 cycle.[40]

The results of the OIG's annual risk assessment echo the agency's own conclusions about its ability to operate at current appropriations levels. In response to a survey that the OIG issued, 37 percent of respondents from the Office of the Chief Information Officer (OCIO), Office of General Counsel (OGC), Office of the Chief Financial Officer (OCFO), and the Office of the Staff Director (OSD) indicated that staffing levels are insufficient to complete work assignments. Respondents also raised concerns about the overall ability of the agency to meet mission and performance goals due to high employee turnover and retention issues.

The OIG notes that a mitigating development is that in July 2024, a technology modernization grant was awarded to the agency to modernize the software program that many political committees use to file financial disclosures with the FEC.[41] This one-time award increases net available modernization funds by approximately $4 million. As one-time funding, however, this does not address the sustained and ongoing need for technological investment and development.

Negative Impact on Staffing

The agency concluded FY 2024 with 291 employees, representing a 10.7% decrease from the staffing levels recorded in FY 2016. This is the lowest staffing level the FEC has had since at least 2000.

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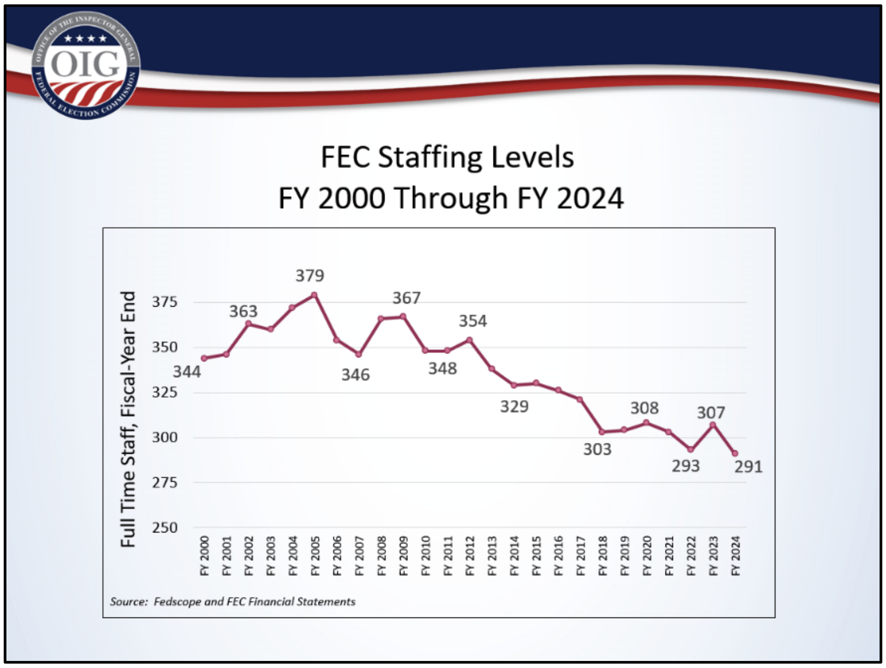
40 Id. at 11.
41 FEC press release, "FEC receives $8.8 million award to modernize agency's electronic filing system" (June 18, 2024), available at: www.fec.gov/updates/fec-receives-88-million-award-to-modernize-agencys-electronic-filing-system/



Recently, the FEC has been losing staff with decades' worth of institutional memory. In total, there have been 72 separations of FEC career staff from FY 2022 through FY 2024 that represent the loss of 1,035 years of experience. Additionally, 46 current FEC employees have served in the federal government for over 30 years, with 31 holding positions at GS-11 or above. Five of these long-serving employees are designated key personnel in the agency's September 2022 Continuity of Operations Plan (COOP). Collectively, these five individuals bring 163 years of institutional knowledge, including 65 years from OGC, 69 years from OSD, and 29 years from OCIO.[42]

[42] Indeed, since that plan was issued, 14 of the 88 key personnel positions identified in the COOP have left the agency (as of September 2024).

FEC Employees with more than 30 Years of Federal Service (GS-11 and Higher)

Pay Grade	Number of Employees
Senior Leader (SL)	1
GS-15	6
GS-14	8
GS-13	8
GS-12	1
GS-11	7
Total	31

Conclusion

By far the most difficult challenge facing the FEC is its budget. Insufficient funding levels have negatively impacted staffing levels and agency operations. Both agency managers and employees raised significant concerns about increasing workloads due to decreasing staff levels during the OIG FY 2025 risk assessment. The current agency dynamic may increase employee burnout while diminishing the quality of work. Without additional funding, the FEC is at risk of failing to provide the level of service that Congress and the public expect of it and the FEC's ability to ensure the integrity of its operations and security posture will continue to be hindered.

Management and Performance Challenge: Modernization of Information Systems & Cybersecurity

Background

Protecting data, systems, and networks from threats remains a top challenge. The FEC was established to protect the integrity of federal campaign finance by providing transparency and enforcing and administering federal campaign finance laws. In doing so, the FEC makes campaign finance data available to the public, resulting in significant webpage traffic from stakeholders and the general public. In efforts to streamline transparency initiatives and improve business processes, the Commission is more technology reliant today, as is society; as such, it is imperative that the Commission continue to prioritize cybersecurity.

The FEC continues to face significant challenges related to replacing legacy information systems. Independent public accountants (IPAs) provided recommendations for OCIO information systems in the FY 2022 and FY 2023 financial statement audits. Specifically, in FY 2022, the IPA recommended that OCIO address critical and high-level vulnerabilities outlined in the agency's system security plan. The IPA noted that flaw remediation controls were not consistently applied due to insufficient resources and outdated equipment. In FY 2023, the IPA recommended that senior leaders develop a feasibility plan for replacing legacy information systems. The IPA also recommended that the agency prioritize funding and other resources to replace these legacy systems. The agency received a grant in FY 2024 and is moving forward with modernizing legacy technology. As a result of agency actions during FY 2024, the IPA closed these recommendations.

Additionally, it is important to note that the FEC cannot improve its IT infrastructure without additional funds and additional staff. The OIG agrees with the agency when it stated:

> The realization of the FEC's cybersecurity projects and ongoing security enhancements hinges on the expansion of our current workforce…These staffing needs cannot be overlooked. Amidst the escalating frequency and sophistication of cyber threats, failing to allocate the necessary resources to bolster our cybersecurity workforce would leave the FEC's vital systems and sensitive data increasingly vulnerable.[43]

Potential Security Event

In April 2024, OCIO reported a potential security event to the OIG. The impacted applications include the Searchable Electronic Rulemaking System (SERS), Advisory Opinion Search (AO Search), and the Enforcement Query System (EQS). While the agency successfully

[43] FEC's FY 2025 Congressional Budget Justification, at page 14.

addressed critical vulnerabilities in the SERS and AO search applications, it was forced to decommission the aging EQS system.

In May 2024, the OIG conducted a preliminary inquiry into this matter, interviewing various agency staff members and contractors that support the affected systems. The OIG reviewed applicable policies and procedures, reports and internal security scans provided by the Chief Information Security Officer (CISO), and reports from the Cybersecurity and Infrastructure Security Agency (CISA). Our preliminary inquiry determined that OCIO took immediate action to secure and disable the impacted information systems and there was no indication of negligence within OCIO.

During interviews with FEC personnel, multiple staff reported that budget and personnel shortages adversely affect OCIO operations, resulting in insufficient capability for monitoring and remediation of vulnerabilities. Additionally, some OCIO employees expressed concern regarding the resources and time required to update legacy systems and comply with new mandates, such as those contained in Executive Order 14028.[44]

In April 2024, the OIG evaluated agency security scans and identified 76 common vulnerabilities and exposures (CVEs). This number increased to 83 CVEs in May 2024. Of these, the OIG identified 60 CVEs published before 2017, including 11 that are linked to a single legacy information system.

The OIG contracted with an IPA to audit and assess the effectiveness of the agency's patch management policy and procedures. The primary goal of this review is to establish a baseline for patch and vulnerability management activities, providing the OIG with data to measure future process and vulnerability remediation performance. A secondary objective seeks to determine the costs associated with the operation of legacy systems and determine if those funds could have been put to better use. The OIG acknowledges the agency will likely address many of the vulnerabilities through modernization and is closely monitoring the agency's efforts.

Conclusion

The OIG identified cybersecurity as a management challenge in FY 2023 and FY 2024. In FY 2024, the FEC was awarded a technology modernization grant to help fund the modernization of a legacy system. The OIG applauds management's decision to move forward with technology modernization efforts because it will help reduce potential attack vectors and improve FEC's cybersecurity posture by doing so.

[44] Executive Order 14028, Improving the Nation's Cybersecurity, 86 Fed. Reg. 26633 (May 12, 2021).

That said, the OIG recommends that agency management, to the extent possible given current funding levels, continue prioritizing and addressing the challenges associated with legacy information systems to enhance cybersecurity and comply with relevant mandates while dealing with ongoing staffing shortages.

Management and Performance Challenge: Growth of Election Contributions

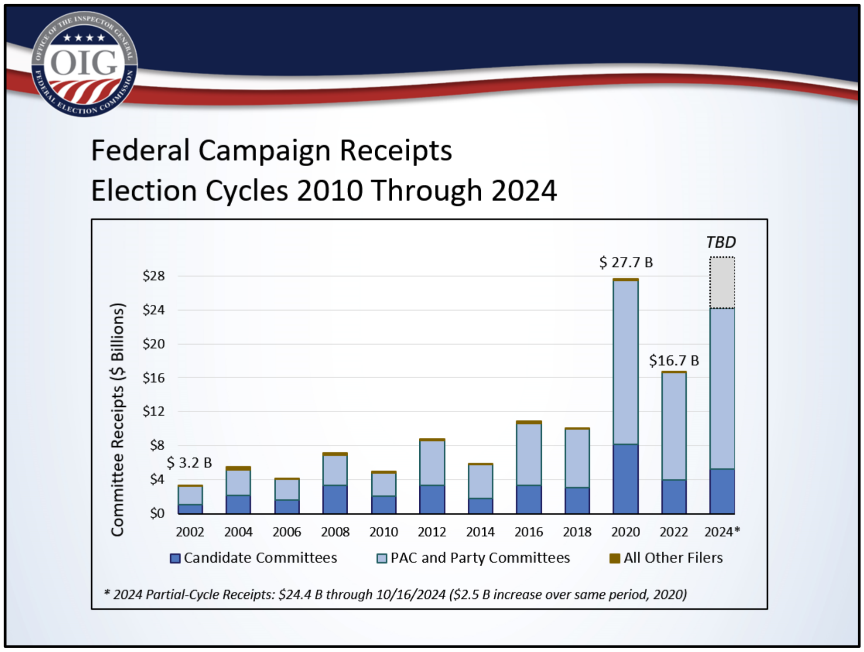
Background

Much has changed in the 50 years since the FEC was first created by Congress. In 1976, the first presidential election cycle after the FEC was established, federal campaigns raised and spent approximately $300 million total. In the 2020 presidential election cycle, total campaign committee receipts were close to $28 billion. Campaign committee receipts for the 2024 cycle through mid-October exceed the 2020 receipts for the same period by $2.5 billion.

In recent years, federal election fundraising and spending have increased dramatically, particularly since the U.S. Supreme Court's decision in *Citizens United v. FEC* in 2010. Online fundraising, the influence of dark money, and potential foreign electoral influence continue to place further strain on the FEC's ability to provide oversight of federal campaigns.

Total receipts by regulated committees during presidential years increased from $4.0 billion in 2000 to $27.2 billion for the 2020 election cycle, a nearly seven-fold increase. The 2024 cycle is on track to exceed the 2020 cycle. Committee receipts for the 2022 mid-term elections reached $16.6 billion, a five-fold increase over the 2002 total of $3.2 billion.[45]

[45] It is important to distinguish between total receipts and disbursements by all campaign committees and the amount spent on federal campaigns. Campaign fundraising has increasingly made use of intermediate committees (ActBlue and WinRed, for example) which pass contributions through to ultimate recipients. When this happens, each contribution is recorded twice: once when received by the intermediary and once when passed on to the final recipient.



Contributions are segmented by candidate, party/PAC, and "other" committee types. All data is obtained from FEC filings. Complete information for the 2024 cycle is not available.

The total number of transactions subject to FEC regulation and oversight has also dramatically increased, especially in recent years. Transactions are reported in mandatory filings with the FEC and are comprised of itemized details of receipts (including contributions), disbursements (including expenditures), and other financial activity. Some highlights of transaction growth, which are further illustrated on the following page, include:

- Between 1978 and 2000, the total number of transactions subject to FEC regulation and oversight increased from approximately 340,000 to nearly 2.0 million per election cycle.

- By the 2018 election cycle, the number of transactions handled by the FEC had grown to nearly 270 million.

- That number exceed 630 million transactions for the 2020 election cycle and 590 million transactions for the 2022 mid-term cycle. Based upon data for the 2024 cycle to date, it is possible that the number of transactions may exceed 500 million by the end of the year.

Conclusion

The exponential growth of campaign spending requires the FEC to manage its limited staff and extremely limited budget prudently. The OIG supports the agency's modernization efforts, including the eFiling software and infrastructure, the campaign finance data pipeline, and the transition from legacy systems.

Background

The Federal Election Campaign Act (FECA) specifies the level of pay for Commissioners, the Staff Director, and the General Counsel. Because of long-standing pay freezes, the pay for Commissioners is well below that of many line FEC employees. Indeed, the General Schedule (GS) has outpaced even the unfrozen salary levels of the Executive Schedule, which means the Staff Director and the General Counsel would similarly be paid less than many of the employees they oversee. As a result, the FEC has not had a permanent General Counsel since 2013, and the Staff Director has been dual hatted since 2011.

Commissioner Pay

The FECA states that FEC Commissioners are to be paid equivalent to level IV of the Executive Schedule. Executive Schedule pay for political appointees has been largely frozen since 2010, with only one adjustment in 2019. As a result, FEC Commissioners receive lower salaries than all Senior Level (SL) staff and most GS staff at levels 14 and 15. In total, Commissioners receive lower compensation than 106 FEC employees out of 291 total staff as of August 31, 2024. The OIG expects the percentage of FEC staff who earn more than FEC Commissioners to approach 46% by the end of FY 2026.

This salary structure has a direct impact on Commissioner morale and may indirectly impact staff morale throughout the agency. The problem is intensified by the high costs of living and working in Washington, D.C. that Commissioners must bear to serve term appointments. Washington, D.C. is routinely ranked among the top ten most expensive cities in the United States. Indeed, one 2023 study found that $100 in the Washington-Arlington-Alexandria metro area would buy goods and service worth only $89.82.[46] Considering this, the real value of Executive Schedule pay in this area is roughly 10.4% lower than the nominal value.

Staff Director and General Counsel

The FECA sets the Staff Director's pay at level IV of the Executive Schedule and the General Counsel's pay at level V of the Executive Schedule. Both the Staff Director and General Counsel positions supervise personnel at the GS-15 and SL pay levels, most of whom have higher salaries than levels IV or V of the Executive Schedule. This disparity creates significant challenges in recruitment and retention of talent for two of the most senior career positions at the FEC.

[46] The Tax Foundation, "Real Value of $100 by Metropolitan Area, 2023", available at: https://taxfoundation.org/data/all/state/purchasing-power-most-expensive-us-cities-metros-2023/

As a result, the senior leadership roles of the Staff Director and Chief Information Officer (CIO) have been occupied by the same individual since August 2011. Without a fully dedicated CIO to address technological issues, allocate and utilize resources effectively, and establish adequate processes for the agency's protection and security, the agency will remain at risk.

Similarly, the Deputy General Counsel for Law is concurrently serving as the Acting General Counsel and has been doing so since September 2016. This has potential to put the agency at risk of not effectively and efficiently meeting its mission requirements, as robust internal dialogue and diversity of opinion are essential to ensuring the agency considers competing legal theories and courses of action.

Management previously reported that the Commission adopted legislative recommendations and urged Congress to remove the statutory references to the Executive Schedule in FECA with respect to the FEC Staff Director and General Counsel positions. The removal of that reference would ensure the two positions be compensated under the same schedule as the Commission's other senior managers and create balance and effectiveness in administering and enforcing the federal campaign finance law.

Conclusion

This outdated pay structure creates challenges in recruiting and retaining the most senior level officials at the FEC. The OIG supports the FEC's legislative proposals designed to address this problem.

FY 2024 Management Challenges Not Included in FY 2025 Report

The OIG consolidated and updated many of the challenges identified in the FY 2023 and FY 2024 reports in this report.

Federal Election Commission
Office *of the* Inspector General

REPORT
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Together we can make a difference!

Management's Response to the Office of Inspector General's Statement on the Federal Election Commission's Management and Performance Challenges [48]

November 13, 2024

In its Statement on the FEC's Management and Performance Challenges ("Statement"), the Office of the Inspector General ("OIG") identified four overarching management and performance challenges for the FEC for Fiscal Year 2025. Management's response to the OIG's Statement is below.

Challenge 1: Budget

In its Statement, OIG describes how the FEC's budget has not kept pace with inflation. Without an appropriate level of funding, the agency will be unable to fund several modernization projects and hire and retain staff needed to address the increased volume of campaign finance data, specifically, and increased FECA related activity, generally. Over the past several years, the FEC has advocated for increases to its budget in its annual submissions to Congress, including a significant increase in its FY 2025 appropriation.

As the OIG recognizes, the FEC continues to confront a heavy workload alongside relatively flat funding levels that have contributed to the reduced staffing levels the FEC has experienced over the past several years. Over the past decade, the FEC has been able to meet its statutory mission primarily due to efficiencies gained by reassigning staff using details, maximizing operational efficiencies through reorganizations, and improving technology and processes, among other efficiencies. However, in recent years the FEC has begun to exhaust the benefits that can be gained through such efficiencies and has, in some situations, reduced performance targets in response to these reductions in staffing amid increasing campaign finance activity. The FEC intends to continue its current efforts to maintain the current high performance of staff and the excellent service that they provide to the public. A critical part of this effort is obtaining adequate funding, promoting adequate staffing levels across the agency, and ensuring improvements in the agency's salary structure to be able to compete and retain top talent in leadership positions.

Staffing Levels and Agency Impact

In recent years, the FEC has been challenged to recruit and retain talent necessary to meet the agency's workload and hiring goals, in part as a result of the FEC's relatively flat funding levels over this period, coupled with the reduction in funding in FY 2024. Indeed, over the last decade, between FY 2014 and FY 2024, the FEC's overall staffing levels were reduced by nearly 11 percent.

With nearly 70 percent of the agency's annual obligations composed of expenses related to personnel, the agency's ability to increase or even maintain FTE levels in a given year is disproportionately affected by increases in personnel costs, most notably required employee salary and benefits increases. The FEC's appropriation increased by a total of only 4.8 percent between

[48] Management consists of the agency's senior managers, including the Staff Director, Acting General Counsel, and Chief Financial Officer.

FY 2016 and FY 2022. Increases in overall personnel costs and unexpected expenses related to the COVID-19 pandemic placed further pressure on the FEC's budget during FYs 2020 and 2021, and into FY 2022. These constraints only served to magnify longer-term staffing challenges for the agency. While the FEC received a higher appropriation in FY 2023, it was followed by a reduced appropriation in FY 2024. As the OIG's Statement shows, when adjusted for inflation, the FEC has experienced a 12.1 percent decrease in its budget from FY 2016 to FY 2024. In recent years, the FEC has been able to meet its statutory mission primarily due to efficiencies gained by reassigning staff using details, maximizing operational efficiencies through reorganizations, and improving technology and processes, among other efficiencies. However, in recent years the FEC has begun to exhaust the benefits that can be gained through such efficiencies and has, in some situations, reduced performance targets in response to these reductions in staffing amid increasing campaign finance activity, as described in the FEC's 2024 and 2025 Congressional Budget Justifications.

The FEC's ability to complete hiring plans and implement long-term human capital management strategies is also impeded by year-over-year funding uncertainty that results from lengthy periods under continuing resolutions and appropriation levels that have not kept up with inflation. For example, the agency's current budget does not allow for backfilling all vacated positions, and as a result, vacancies are prioritized by leadership and approved for filling by the Personnel Committee on an ongoing basis. Hiring managers are advised to keep hiring documents as up-to-date as possible, evaluate what their office/division needs regarding staffing, establish relationships with recruitment outlets, and move quickly if and when approval is received and it is determined that the agency has the funds to fill the position. However, without the ability to hire throughout the fiscal year as needed, managers can lose valuable time filling vacancies with interim internal appointments and other short-term staffing remedies and may lose opportunities to hire permanently when staff is most needed. Moreover, long-term strategic staffing plans cannot easily be developed or implemented in an environment that does not allow for predictable hiring projections or for the achievement of targets identified in staffing plans.

While the Commission considers many factors when weighing agency staffing decisions, funding constraints represent the most immediate cause of the FEC's reduced staffing levels. Funding constraints affect the agency's ability to hire in multiple ways. At the most basic level, with higher funding levels the FEC is able to bring on additional staff, and with consistently higher funding levels the FEC would be able to set meaningful staffing goals for FY 2025, craft a strategic hiring plan to meet the agency's mission, and more resourcefully address the information technology and election contribution growth addressed in Challenges 2 and 3. However, the FY 2024 budget decrease led to a concerted effort to reduce the size of the FEC's workforce through attrition and only allowed for limited, high priority hiring. Instead of hiring up to the FY 2024 FTE goal of 340, the staff was reduced from 309 employees at the end of FY 2023 to 293 employees at the end of FY 2024 to meet budget constraints, which represents a reduction of more than 5 percent of the agency's employees in a single fiscal year, coinciding with a presidential election year on track to include a volume of campaign finance transactions on par with the 2020 election cycle.[49] In the

[49] A detailed discussion of the increase in campaign finance transactions can be found in Challenge 3: Growth of Election Contributions.

event of flat or further decreased funding in FY 2025, the agency would need to again plan for further reduced staffing levels.

Challenge 2: Modernization of Information Systems & Cybersecurity

The federal government continues to issue numerous cybersecurity-related initiatives to defend against the escalation of cyber-attacks, the increased activity of ransomware compromises and the attacks to widespread use of software systems. In response to these ever-growing cybersecurity threats, the FEC continually works to improve its security posture to protect its information systems.

The Office of the Chief Information Officer (OCIO) secures the Commission's IT infrastructure against the threats of data misuse, destruction and inappropriate disclosures, while ensuring continuity of operations in the event of a disaster. The Commission actively secures its IT infrastructure, including implementing cybersecurity directives from the Cybersecurity and Infrastructure Security Agency (CISA) of the Department of Homeland Security (DHS) as well as implementing mandatory security awareness training programs for its employees and contractors. In addition, the FEC continues to develop strategies and initiatives relating to risk assessments of operations, disaster recovery and continuity of operations in the event of a disaster. In 2021, the Commission completed work on the update of its Continuity of Operations Plan (COOP) as well as its Disaster Recovery Plan and held tabletop exercises in 2022 and 2023 to ensure that staff involved in the COOP are adequately trained. Currently, the staff is modifying the agency's Disaster Recovery Plan to incorporate our cloud-based IT assets.

As noted in the previous paragraph, DHS's CISA regularly issues numerous cybersecurity directives with which federal agencies must comply by the stated deadlines. With only a small number of employees who are able to work on information security mandates and remediation measures, the Commission must rely on outside vendors to help meet these requirements.

In 2018, the FEC—and all federal agencies—were directed to fund and implement a government-wide program to better safeguard information technology assets. (*See* DHS Binding Operational Directive 18-02 (May 7, 2018); *available at:* https://www.cisa.gov/binding-operational-directive-18-02.) This direction was further made mandatory by OMB M-19-03, *Strengthening the Cybersecurity of Federal Agencies by enhancing the High Value Asset Program*, issued on December 10, 2018. That directive expanded the High Value Asset Program (HVA) to non-CFO agencies and therefore, applies to the FEC. DHS's HVA program requires federal agencies to identify and submit lists of their high value assets to DHS, participate in DHS-led assessments, ensure timely remediation of identified vulnerabilities and report mitigation plans and progress. Within the agency's austere budget climate, the FEC had made the difficult decision to defer funding for some high-priority security projects in favor of yet more pressing agency requirements. As a result, the agency was not in a position to execute some cybersecurity initiatives, such as HVA, on the timeline initially proposed. In FY 2022, however, the agency contracted with a HVA vendor to help the agency comply with this mandate and has begun working on this program.

The Commission continuously improves its security architecture. The Commission's security operation, along with continuous diagnostics and mitigation, allows the agency to identify and remediate vulnerabilities. In partnership with DHS and other strategic partners, the FEC identifies, protects, detects, responds to and recovers from the impact of known and potential security threats. In recent years, the FEC has worked with DHS to complete a security architecture review, a risk vulnerability assessment, two threat hunts, and a remote penetration test. Of note, the penetration test performed on FEC.gov found no major vulnerabilities. Through the engagement with the DHS, the FEC has recently implemented various cybersecurity tools, including vulnerability scanning tools and mobile threat defense. These engagements with DHS enable the FEC to identify and address cybersecurity gaps and thus improve its overall security posture. The FEC also works with vendors to ensure security and performance in its internal network. For example, in 2022, it completed an Office 365 Network Performance Assessment and conducted an Office 365 Security Assessment in 2023.

The Commission also responds as quickly as possible to executive orders and DHS mandates. For example, OMB Memorandum M-23-13, "No TikTok on Government Devices" Implementation Guidance, was issued in 2023 to prohibit the use of TikTok on government-owned devices due to potential security concerns. In response to this directive, the FEC has implemented various technical and administrative controls to ensure compliance, including updating the agency's Rules of Behavior and Acceptable Use Standards to explicitly prohibit the use of TikTok on any FEC computing resources.

In 2022, the Commission renewed its general systems Authority to Operate (ATO) after a thorough review and audit conducted by the Department of the Interior. In 2023 it renewed the ATO for its legacy eFiling system. In 2024 it received a new ATO for the FEC's cloud infrastructure.

In 2024, following a security event involving legacy searchable systems, the FEC Security team engaged CISA for a proactive threat assessment. From July 29 to October 11, 2024, CISA conducted a remote investigation, concluding that no evidence of adversarial activity or malicious presence was found within the FEC's environment. Additionally, the FEC Security team engaged a third-party vendor to conduct an independent threat hunt to detect any signs of persistence linked to the security event. The third-party vendor analyzed over 15GB of raw audit logs from the legacy legal search applications and concluded that the attempted attack was unsuccessful, with no persistent threats in the FEC's systems.

The FEC agrees with the OIG's recommendation to prioritize addressing the security challenges posed by legacy applications and is working, within the agency's limited resources, to achieve this outcome through the cybersecurity strategy described below.

The FEC recognizes that perfect security is not feasible; rather, it is a continuing process of detecting risks, making process improvements and hardening defenses. For that reason, the benchmark of the FEC's approach to cybersecurity has always been practicability and continuous improvement. The FEC's cybersecurity strategy, noted in the FEC IT Strategic Plan, outlines an approach of securing its infrastructure and preventing intrusions through a holistic cybersecurity program led by the Chief Information Security Officer (CISO). The strategy implements leading practices for a comprehensive cybersecurity from the National Institute for Standards and Technology's (NIST) Cyber Security Framework (CSF) and industry best practices.

NIST Cyber Security Framework: The CSF functions provide a common language regarding cybersecurity issues that can help facilitate important discussions between different organizations and encourages effective collaboration and communication with FEC leadership and partner agencies and industries. The FEC's cybersecurity strategy strives to mature the five functions of the NIST CSF:

Identify: This function seeks to develop a deep understanding to manage cybersecurity risks to systems, assets, data and capabilities. The projects in this function are foundational for effective use of the framework. Understanding the business context, the resources that support critical functions and the related cybersecurity risks will enable the OCIO to focus and prioritize efforts. This action will be consistent with the organization's risk management action plans and business objectives.

Protect: This function seeks to help the team develop and implement the appropriate safeguards to ensure delivery of critical infrastructure services. This function supports the ability to limit or contain the impact of a potential cybersecurity event.

Detect: This function seeks to develop and implement the appropriate activities to identify the occurrence of a cybersecurity event. This will enable the OCIO to timely discover a cybersecurity event.

Respond: This function seeks to develop and implement the appropriate activities to take action regarding a detected cybersecurity event. The respond function supports the ability to contain the impact of a potential cybersecurity event.

Recover: This function seeks to develop and implement the appropriate activities to maintain plans for resilience and to restore any capabilities or services that were impaired due to a cybersecurity event. The recover function supports timely recovery to normal operations to reduce the impact from a cybersecurity event.

Moreover, the goal of the Commission's IT Strategic Plan is to define a robust, innovative and holistic security architecture that mitigates modern threats.

Through rigorous assessment and authorization methods, such as ATOs, and active participation in programs such as the DHS Continuous Diagnostics and Mitigation program, the OCIO will continue to improve its cybersecurity program and security architecture to safeguard FEC's infrastructure, networks and applications against cyber threats and malicious activities.

Following NIST guidelines and considering the Commission's own prioritization and resources, the first wave of projects primarily focuses on the "Protect" function to hinder threat actors from gaining access to the FEC's IT assets and data. For example, one project includes strengthening perimeter defenses using software-defined perimeter (SDP) and protecting FEC users from inadvertently infecting their systems by using a robust end-point security solution. SDP will ensure that anyone attempting to access the FEC infrastructure is authenticated and authorized at the perimeter prior to being able to access any resources on the network. The FEC will continue to implement the most advanced endpoint security solution to combat security threats.

Robust Security Architecture

As a result of, and in support of, the RMF, the FEC's OCIO continues to take steps to implement a robust security architecture. For example, in partnership with the Department of Homeland Security (DHS), the OCIO has collaborated with FEC stakeholders and technical experts to identify, protect, detect and respond to the impact of known and unknown threats, continuously assessing security controls and addressing residual and new risks. The FEC has also entered into an inter-agency agreement with DHS to participate in the Federal Continuous Diagnostics and Mitigation program. By partnering with DHS, the FEC is able to leverage that agency's cybersecurity resources, which would be cost prohibitive for an agency of the FEC's size to procure independently.

As identified in OIG's description of this management challenge, the FEC has proactively pursued significant joint efforts with DHS over the past two years to better identify and remediate emerging threats to the FEC's systems and networks. In addition, the FEC maintains ongoing information security efforts, including our security operation center participation in CISA's Continuous Diagnostics and Mitigation (CDM) program, and security controls to address identified cybersecurity gaps. These efforts help to ensure that identified risks are appropriately addressed and that its cybersecurity program and security architecture will continue to safeguard the agency's infrastructure, networks and applications against cyber threats and malicious activities.

Continuous Monitoring and Mitigation

OCIO Security has worked with DHS to improve security capability by integrating with the CDM program. OCIO Security has also introduced the use of secure baselining standards, such as the use of Defense Information Systems Agency (DISA) Security Technical Implementation Guides (STIGs) and Benchmarks. System hardening and secure baselining practices are being expanded in OCIO teams. The OCIO security team has developed a privileged user account agreement and recently updated the password policy to add administrative controls to supplement the technical access controls. The addition of the new password policy and multi-factor authentication (MFA) has improved the security posture of authentication types within the FEC's information systems.

Cloud-First Initiative

The FEC has also adopted a cloud first initiative for security, accessibility and recoverability. The FEC has migrated targeted legacy applications and systems to the cloud. Leveraging cloud computing allows the Commission to take advantage of cloud service providers' significant resources and expertise dedicated to maintaining the highest level of security. Hosting information, data and systems in the cloud will allow the FEC to better leverage government and industry best practices, such as DevSecOps, which improves our security posture by adding security mechanisms into the development and operation processes. Adopting a cloud first initiative will ultimately result in the consolidation and the modernization of all FEC's application and systems. Moreover, in cloud architecture, the security controls are built into the native configuration.

Operating applications in a cloud environment, however, requires specialized design, development, and security considerations to ensure both the security of the FEC's systems and the integrity and accessibility of its data. In implementing cloud architecture, it is essential that the FEC takes a more comprehensive view of the risk to information systems, establishes a governance framework and remediates the vulnerabilities of critical infrastructure. OCIO completed a third-party assessment of its cloud environment and received an ATO for it. It is also necessary that staff possess the necessary skillset to administer the Commission's cloud resources. Seeking the expertise to manage the FEC's cybersecurity requirements in a cloud environment and the growing federal mandates is necessary.

As part of our IT modernization, the agency has migrated applications to a modern cloud architecture and strengthened security against complex cyberattacks. Partnering with cloud.gov, the FEC ensured Fec.gov remains secure and resilient. Recently, Fec.gov faced multiple Distributed Denial of Service (DDOS) attacks with surges of obscured traffic attempting to overwhelm the homepage. Our robust security architecture blocked approximately 96 percent of malicious traffic, preventing disruptions. Over three days, the homepage handled over 265 million requests—13,700 times the usual volume—demonstrating the effectiveness of the agency's security measures.

<u>Building a Cybersecurity Culture</u>

At the same time, the FEC is working to build a cybersecurity culture among its employees. For this comprehensive cybersecurity strategy to be successful, the OCIO will partner with federal agencies and industry leaders to leverage best practices for our IT workforce. The first line of defense in maintaining the protection and integrity of the agency's network is the ongoing education of employees about their role in identifying and preventing malicious activities. Efforts to build a cybersecurity culture include steps to educate staff about FEC IT security policies and to ensure staff awareness of potential cybersecurity threats, such as phishing scams. The FEC promotes this cybersecurity culture in part through annual, mandatory IT security trainings and through year-round communication and notices to staff from the CISO. This year, the FEC continued additional training for all staff to help staff recognize and avoid social engineering attempts.

<u>Building Capacity in the Information Security Office</u>

Beyond training its staff, the Commission also seeks to recruit and train talent with cybersecurity expertise. The FEC's Security team currently includes three employees. The agency is planning to hire one additional security specialist to serve on the Security team and an IT operations specialist who would spend 80 percent of their time on security-related efforts. The Commission's CISO has recommended that the agency expand its cybersecurity staff further and create additional positions in order to address the heightened security risks.

Challenge 3: Growth of Election Contributions

As illustrated in the OIG's description of this management challenge, increases in the amount of money raised and spent in federal elections, and changes in the way political committees raise and report contributions, have resulted in a steep growth in the number of campaign finance transactions reported to the FEC. Campaign finance disclosure data must be received, processed and made available to the public within tight deadlines for public disclosure, and it must be safeguarded to ensure the integrity and accessibility of the information. Each of these transactions represents a data element that must be received by the FEC, added to our database and disclosed and made searchable on the FEC website and via the FEC campaign finance Application Programming Interface (API).

The FEC receives campaign finance reports, statements and other disclosure documents from more than 16,000 political committees and other filers. During the 2020 election cycle, these filers reported more than 600 million financial transactions, which were reviewed by FEC staff and disclosed to the public on the FEC's website and through the agency's Application Programming Interface (API). This is more than double the number of transactions reported in the previous election cycle, and a nearly 400 percent increase compared to 2016, the previous presidential election cycle. During the 2022 election cycle, these filers reported more than 590 million financial transactions, which were also reviewed by FEC staff and disclosed to the public on the FEC's website. This is a nearly 120 percent increase compared to 2018, the previous nonpresidential election cycle.

During the 2024 election cycle, the FEC has already received campaign finance reports with 440.1 million transactions, a 1.7 percent decrease from 2020, disclosing $24.4 billion in receipts and $22.7 billion in disbursements, an 11.3 percent and 12.7 percent increase, respectively, over the last presidential election cycle at this point.[50]

The FEC provides the public access to reported campaign finance data on the agency's website and directly through the FEC's API, which permits users to customize their own data searches.[51] Public interest in the FEC's campaign finance data continues to grow, with the FEC's campaign finance data API receiving over 603 million hits during the 2024 cycle so far, already representing a 48.3 percent increase over the number of API hits received during the full 2020 presidential election cycle.[52] These trends in the public's interest in campaign finance activity illustrate both how crucial it is for the agency to continue efforts to support and secure access to this data and how challenging it is to do so without additional funding for staff and tools necessary to receive and process campaign finance reports, review the reports for accuracy and compliance and ensure the resulting data continues to be readily available to meet the public's needs despite the significant growth in the volume of data maintained by the agency.

The FEC is undertaking several multi-year IT modernization projects to update the agency's systems and data processing capabilities to use cloud-native architecture, improve services

[50] This data is as of November 5, 2024.
[51] The FEC's API, OpenFEC, also supports the data access available through FEC.gov.
[52] This data is as of November 5, 2024.

provided to the public and better ensure the security of the FEC's networks, systems and data. Modernizing and refactoring the agency's legacy applications, systems and data pipeline will help the FEC streamline the processing of information provided to the public while at the same time improving the systems and tools used by agency staff to provide services to the public and ensure compliance with the campaign finance law.

In FY 2018, the FEC completed the migration of FEC.gov and one of its campaign finance databases from a physical datacenter to a cloud environment, allowing the agency to shut down one of its physical datacenters. This migration effort allowed the agency to reduce its physical datacenter footprint by 25 percent.

During FY 2020, the FEC conducted a study of its remaining legacy systems to develop a cloud migration plan for these legacy applications and systems. The cloud migration plan developed during FY 2020 also included recommendations for migrating the FEC's disaster recovery environment and the FEC's primary campaign finance database to a cloud environment.

During FY 2022, the FEC completed migrating the legacy mission critical applications, systems and databases that were identified in the cloud migration plan. During FY 2023, the FEC shut down its disaster recovery physical datacenter, reducing that footprint further. It also began to implement the FEC's disaster recovery plan for its cloud environment. In FY 2023, the FEC worked to migrate network and storage devices and shut down our physical, datacenter-based disaster recovery site.

In FY 2024, the agency began to modernize and refactor the legacy systems that now reside in the cloud to adopt a cloud-native architecture. This also includes modernizing the data pipeline to enhance data processing and a project to modernize several legacy applications used by the Commission for voting and document management. The FEC has also continued to build on the agency's successes in reducing its reliance on physical data centers. In April 2024, the legacy Electronic Filing Infrastructure and its related disaster recovery environment was migrated to the FEC's cloud environment.

Challenge 4: Outdated Statutory Pay Structure

Commissioner Pay

As identified by the OIG, the FEC Commissioners are currently compensated at level IV of the Executive Schedule (EX) as specified in FECA. The full compensation for this level in 2024 is $191,900. However, the compensation for certain political appointees, including Members of the FEC, has been frozen. A pay freeze has been in effect since 2014, which set commissioner pay at 2013 levels. As a result of executive action, those 2013 levels were frozen at 2010 rates. A small adjustment was made in 2019, which set the frozen pay level at $158,500, or 17.4 percent less than the full amount. EX salaries are uniform nationwide, while the General Schedule (GS) salaries include locality adjustments. The relatively high cost of living in the Washington, D.C. region means that salaries at the top of the GS scale applicable to FEC employees have outpaced frozen salaries on the EX scale. Thus, the pay freeze exacerbates a salary discrepancy where commissioners receive less compensation than FEC employees in Senior Level (SL) positions, and less compensation than some agency employees in the GS-14 and GS-15 positions, including many of their direct reports. Under these circumstances, it may be difficult to find individuals willing to serve as FEC commissioners in the future, and recruitment will be limited to a smaller pool of potential commissioners due to this salary constraint. While FEC Management is not responsible for recruiting potential commissioners, the lack of quorum that could result from vacant commissioner seats would be a management challenge for the FEC. The Commission has approved a Legislative Recommendation that proposes to amend FECA to increase Commissioners' compensation to $186,300 per year, subject to adjustment for future inflation.

Salary Structure (Staff Director and General Counsel)

Section 306 of FECA links salaries to Level IV and Level V of the Executive Schedule for the Staff Director and General Counsel. Both positions supervise personnel at the GS-15 and Senior Level pay scales, which often provide higher salaries than Levels IV and V of the Executive Schedule. The Commission has approved a Legislative Recommendation that proposes to remove the statutory references to the Executive Schedule and amend FECA to specify that the Staff Director and General Counsel would be compensated under the same schedule as the Commission's other senior managers. This revision would remedy the current situation where the Commission's top managers are compensated at a lower rate than many of their direct reports and will ensure that the Commission can retain highly qualified individuals to serve in those positions as well as enable it to remain competitive in the marketplace for Federal executives when vacancies arise.

Management continues to fully support the Commission's ongoing efforts to change the salary structure for key leadership positions of Staff Director and General Counsel. Meanwhile, the Commission has implemented interim solutions for these positions that, very importantly, have allowed the Commission to maintain consistency and needed stability in its two most senior staff leadership positions. Moreover, the Commission has been able to continue to receive the services of agency leaders who were selected for these positions after substantial experience working in positions of significant responsibility for the FEC. Instability in these positions has been the subject of prior management challenges identified by the OIG, and the Commission attributes the stability in these positions that has been achieved to the use of the interim solutions.

Payment Integrity

The *Improper Payments Information Act (IPIA) of 2002*, as amended by the *Improper Payments Elimination and Recovery Act (IPERA) of 2010*, *Improper Payments Elimination and Recovery Improvement Act (IPERIA) of 2012,* and the *Payment Integrity Information Act (PIIA) of 2019* requires agencies to review all programs and activities they administer and identify those which may be susceptible to significant improper payments. The FEC preforms risk assessments at least once every three years. The FEC does not have any programs or activities that are susceptible to significant improper payments and is only required to perform an improper payment risk assessment.

Risk Assessment

In FY 2024, the FEC performed a systematic review of its program and related activities to identify processes which may be susceptible to "significant improper payments." "Significant improper payments" are defined as gross annual improper payments (i.e., the total amount of overpayments and underpayments) in the program exceeding (1) both 1.5 percent of program outlays and $10 million or (2) $100 million. The review was performed for the FEC's only program area which is to administer and enforce the *Federal Election Campaign Act (FECA).* For FY 2021, the FEC considered risk factors that may significantly increase the risk of improper payments as outlined in OMB Circular A-123, Appendix C, *Transmittal of Appendix C to OMB Circular No. A-123, Requirements for Payment Integrity Improvement.* Based on the systematic review performed, the FEC concluded that it is not susceptible to these risk factors and none of its program activities are susceptible to significant improper payments above or below the threshold level set by OMB. Thus, the agency's only program (*FECA)* is considered to be in Phase 1 and are not likely have an annual amount of improper payments (IP) plus an annual unknown payments (UP) above or below the statutory threshold. Information about agency improper payment risk assessments, recoveries, and other agency-wide reporting requirements can be found at https://paymentaccuracy.gov.

Recapture of Improper Payments Reporting

The FEC has determined that the risk of improper payments is low; therefore, implementing a payment recovery audit program is not applicable to the agency.

PIIA Requirements	Agency Response
Improper Payment Risk Assessment	Reviewed as noted above. See also Section I.D.ii, Improper Payments
Statistical Sampling	Not Applicable. *
Corrective Action Plan	Not Applicable. *
Improper Payment and Unknown Payment Estimate	Not Applicable. *
Recovery of Improper Payments Reporting	Not Applicable. *
High Dollar Overpayment and High-Priority Program Report	Not Applicable. *
*The FEC does not have programs or activities that are susceptible to significant improper payments.	

Reporting on Internal Control Assurances

The FEC is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the *Federal Managers' Financial Integrity Act of 1982 (FMFIA),* as implemented by OMB Circular A-123, revised, *Management's Responsibility for Enterprise Risk Management and Internal Control.* Internal control is an integral component of management to provide reasonable assurance that (1) programs operate effectively and efficiently, (2) financial reports are reliable, and (3) programs comply with applicable laws and regulations. The FEC conducted its evaluation of internal control in accordance with OMB Circular A-123. Based on the results of the Fiscal Year 2024 internal control review, the FEC reported no material weaknesses under the FMFIA and is able to provide an unqualified statement of assurance that the internal controls and financial management systems meet the objectives of the FMFIA.

The Annual Assurance Statement on Internal Control which was signed by the FEC Chair in accordance with OMB Circular A-123 and provided in "Section I.D: Analysis of FEC's Systems, Controls and Legal Compliance" is supported by detailed assurances from each of the FEC's assessable units.

The assessable units that participated in the internal control review process and provided assurances were as follows:

- Office of Communications
- Office of Compliance
- Office of Equal Employment Opportunity
- Office of Management and Administration
- Office of the Chief Financial Officer
- Office of the Chief Information Officer
- Office of the General Counsel

Detailed assurances from each of these assessable units were provided to support the single assurance statement signed by the FEC Chair.

Civil Monetary Penalties Adjustment for Inflation

The following is the FEC's table of Civil Monetary Penalties Adjustment for Inflation for FY 2024.

US Code	Statutory Authority; Public Law	Year of Enactment/ Adjustment Other Than Pursuant to IAA	Name/Description of Penalty	Latest Annual Inflation of Adjustment	Section in Title 11 of CFR for Penalty Update Detail	Current Penalty or Penalty Formula
52 U.S.C. 30109(a)(5)(A), (6)	Federal Election Campaign Act Amendments of 1976, PL 94-283 sec. 109	1976	Violations of FECA or chapters 95 or 96 of title 26 of U S Code	Civil Monetary Penalties Annual Inflation Adjustments, 83 Fed. Reg. 66593 (Dec. 27, 2018), https://sers.fec.gov/fosers/showpdf.htm?docid=401529.	111.24(a)(1)	24,255
52 U.S.C. 30109(a)(5)(B)	Federal Election Campaign Act Amendments of 1976, PL 94-283 sec. 109	1976	Knowing and willful violations of FECA or chapters 95 or 96 of title 26 of U S Code	Civil Monetary Penalties Annual Inflation Adjustments, 83 Fed. Reg. 66593 (Dec. 27, 2018), https://sers.fec.gov/fosers/showpdf.htm?docid=401529.	111.24(a)(2)(i)	51,744
52 U.S.C. 30109(a)(5)(B)	Bipartisan Campaign Reform Act of 2002, PL 107-155 sec. 312(a)	2002	Knowing and willful contributions in the name of another	Civil Monetary Penalties Annual Inflation Adjustments, 83 Fed. Reg. 66593 (Dec. 27, 2018), https://sers.fec.gov/fosers/showpdf.htm?docid=401529.	111.24(a)(2)(ii)	84,852

52 U.S.C. 30109(a)(12)	Federal Election Campaign Act Amendments of 1976, PL 94-283 sec. 109	1980	Making public an investigation without consent	Civil Monetary Penalties Annual Inflation Adjustments, 83 Fed. Reg. 66593 (Dec. 27, 2018), https://sers.fec.gov/fosers/showpdf.htm?docid=401529.	111.24(b)	7,256
52 U.S.C. 30109(a)(12)	94-283 sec. 109	1980	Knowingly and willfully making public an investigation without consent	Civil Monetary Penalties Annual Inflation Adjustments, 83 Fed. Reg. 66593 (Dec. 27, 2018), https://sers.fec.gov/fosers/showpdf.htm?docid=401529.	111.24(b)	18,139
52 U.S.C. 30109(a)(4)(C)	Treasury and General Government Appropriations Act, 2000, PL 106-58 sec. 640	2003	Late and Non-Filed Reports	Civil Monetary Penalties Annual Inflation Adjustments, 83 Fed. Reg. 66593 (Dec. 27, 2018), https://sers.fec.gov/fosers/showpdf.htm?docid=401529.	111.43(a)	Penalty formula that accounts for (a) level of activity in late or non-filed report; and (b) if report was filed late, (i) the number of days late and (ii) the number of previous violations; or (c) if the report was not filed, the number of previous violations)

52 U.S.C. 30109(a)(4)(C)	Treasury and General Government Appropriations Act, 2000, PL 106-58 sec. 640	2003	Election Sensitive Late and Non-Filed Reports	Civil Monetary Penalties Annual Inflation Adjustments, 83 Fed. Reg. 66593 (Dec. 27, 2018), https://sers.fec.gov/fosers/showpdf.htm?docid=401529.	111.43(b)	Penalty formula that accounts for (a) level of activity in late or non-filed report; and (b) if report was filed late, (i) the number of days late and number of previous violations; or (c) if the report was not filed, the number of previous violations)
52 U.S.C. 30109(a)(4)(C)	Treasury and General Government Appropriations Act, 2000, PL 106-58 sec. 640	2000	Late or Non-Filed Reports where Commission cannot calculate amount of activity	Civil Monetary Penalties Annual Inflation Adjustments, 83 Fed. Reg. 66593 (Dec. 27, 2018), https://sers.fec.gov/fosers/showpdf.htm?docid=401529.	111.43(c)	9,725
52 U.S.C. 30109(a)(4)(C)	Treasury and General Government Appropriations Act, 2000, PL 106-58 sec. 640	2000	Late or Non-Filed 48 hour notices	Civil Monetary Penalties Annual Inflation Adjustments, 83 Fed. Reg. 66593 (Dec. 27, 2018), https://sers.fec.gov/fosers/showpdf.htm?docid=401529.	111.44	Penalty formula is 178 + (.10 x amount of contribution(s) not timely reported), subject to a 25% increase for each prior violation

APPENDIX

List of Acronyms

AFR	Agency Financial Report
AO	Advisory Opinion
APR	Annual Performance Report
ASD	Administrative Services Division
CFR	Code of Federal Regulations
CSRS	Civil Service Retirement System
CY	Calendar Year
DCIA	Debt Collection Improvement Act of 1996
DOL	Department of Labor
EEO	Equal Employment Opportunity
ERM	Enterprise Risk Management
FAR	Financial Audit Report
FASAB	Federal Accounting Standards Advisory Board
FBWT	Fund Balance with Treasury
FEC	Federal Election Commission
FECA	Federal Election Campaign Act
FERS	Federal Employees' Retirement System
FMFIA	Federal Managers' Financial Integrity Act
FRAE	Further Revised Annuity Employees
FRDAA	Fraud Reduction and Data Analytics Act
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GSA	General Services Administration
IG	Inspector General
IPERA	Improper Payments Elimination and Recovery Act
IPERIA	Improper Payments Elimination and Recovery Improvement Act
IPIA	Improper Payments Information Act
MD&A	Management's Discussion and Analysis
NPRM	Notices of Proposed Rulemaking
NTEU	National Treasury Employee Union
OAR	Office of Administrative Review
OCFO	Office of the Chief Financial Officer

OCIO	Office of the Chief Information Officer
OGC	Office of General Counsel
OHR	Office of Human Resources
OMB	Office of Management and Budget
OPM	Office of Personnel Management
OSD	Office of the Staff Director
P&E	Property and Equipment
PIIA	Payment Integrity Information Act of 2019
PPA	Prompt Payment Act
RAD	Reports Analysis Division
RAE	Revised Annuity Employees
SBR	Statement of Budgetary Resources
SCA	Statement of Custodial Activity
SFFAS	Statement of Federal Financial Accounting Standards
SMC	Senior Management Council
SNC	Statement of Net Cost
SSAE	Statements on Standards for Attestation Engagements
TSP	Thrift Savings Plan