



Federal Election Commission
Office *of the Inspector General*

MEMORANDUM

TO: The Commission

FROM: Susan L. Ruge-Hudson *Susan L. Ruge-Hudson*
Inspector General

SUBJECT: Transmittal of the Federal Election Commission's Fiscal Year 2025
Financial Statement Audit Report

DATE: December 17, 2025

ENCL: *Independent Auditor's report on the FEC's FY 2025 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 Accountants and Management Consultants, PLLC (Brown & Company) for the fiscal year (FY) ending September 30, 2025. Enclosed you will find the Independent Auditor's final audit report on the Federal Election Commission (the "FEC" or "Commission") FY 2025 Financial Statements. The final audit report is additionally included in Section II of the FEC's FY 2025 Agency Financial Report.

The audit was performed under a contract with, and monitored by, the Office of the Inspector General (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, 2025, 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 required only to explicitly opine on internal controls that have a material impact on agency financial statement reporting.

Brown & Company did not report any material weaknesses. However, they did report one significant deficiency related to ineffective implementation of a new inventory system, which resulted in five recommendations. There were no recommendations from the prior year. 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

**INDEPENDENT AUDITOR'S REPORT**

Inspector General
Federal Election Commission
Washington, D.C.

In our audits of the fiscal year 2025 financial statements of the Federal Election Commission (FEC), we found:

- FEC's financial statements as of and for the fiscal year ended September 30, 2025, are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles;
- no material weaknesses in internal control over financial reporting based on the limited procedures¹, we performed; and
- no reportable noncompliance for fiscal year 2025 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)² a section on and other information included with the financial statements³; (2) our report on internal control over financial reporting; and (3) our report on compliance with laws, regulations, contracts, and grant agreements.

Report on the Financial StatementsOpinion

In accordance with U.S. generally accepted government auditing standards we have audited FEC's financial statements. FEC's financial statements comprise the balance sheets as of September 30, 2025, 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, 2025, 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

¹A 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 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.

²The RSI consists of Management's Discussion and Analysis and the Statement of Budgetary Resources, which are included with the financial statements.

³Other information consists of information included with the financial statements, other than the RSI and the auditor's report.

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 under standards issued 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 the following sections: a detailed statement of management assurances and other information that is applicable. 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 deficiencies⁴ or to express an opinion on the effectiveness of FEC's internal control over financial reporting. Given these limitations, during our 2025 audit, we did not identify any deficiencies in internal control over financial

⁴A 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.

reporting that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

During our FY 2025 audit, we identified one finding and made five recommendations related to FEC's internal control over financial reporting which is considered to be a significant deficiency. For more details see below and Exhibit A.

- IT Finding 2025-01: FEC OCIO Ineffective Implementation of IT Inventory System

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 U.S. generally accepted 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 the Consideration of 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, 2025, 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 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 provide 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 2025 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 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 provisions of 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.

Management's Response to the Auditor's Report

Management has provided a response to the finding identified in this report. Management's response is presented in its entirety in Exhibit B. We did not audit the response and, accordingly, express no opinion on it.

Evaluation of Management's Response to the Auditor's Report

In response to the draft report, the FEC provided its planned corrective actions and concurred with the recommendations to improve inventory controls. Management's comments are included in their entirety in Exhibit B. Our evaluation of management's response is presented in Exhibit C

brown & company

Greenbelt, Maryland

December 17, 2025

Exhibit A - Significant Deficiencies
Effectiveness of Information System Controls Over Financial Reporting
Finding and Recommendations

IT Finding 2025-01: FEC OCIO Ineffective Implementation of IT Inventory System
Significant Deficiency

Condition:

The FEC Office of the Chief Information Officer (OCIO) implemented a new IT asset management system (ServiceNow). However, FEC OCIO did not provide sufficient evidence to validate the completeness of the IT inventory records. Issues noted include incomplete data migration, inability to produce inventory reports, and lack of reconciliations between the system and physical inventory. Also, policies and procedures were not developed for governing the use of the new IT inventory system. As a result, the system cannot currently be relied upon for reporting on IT assets.

Criteria:

NIST SP 800-53, Revision 5.1.1, *Security and Privacy Controls for Information Systems and Organizations:*

Control Family: Configuration Management (CM)

CM-8 System Component Inventory

- a. Develop and document an inventory of system components that:
 1. Accurately reflects the system;
 2. Includes all components within the system;
 3. Does not include duplicate accounting of components or components assigned to any other system;
 4. Is at the level of granularity deemed necessary for tracking and reporting; and
 5. Includes the following information to achieve system component accountability: [Assignment: organization-defined information] ; and
- b. Review and update the system component inventory [Assignment: organization-defined frequency].

Office of Management and Budget (OMB) Circular A-130, *Managing Information as a Strategic Resource*, dated 7/28/2016, states:

...

5. Policy

a) Inventories

Agencies shall:

- i. Maintain an inventory of the agency's major information systems, information holdings, and dissemination products, at the level of detail that OMB and the agency determine is most appropriate for overseeing and managing the information resources.

General Accounting Office (GAO) Green Book – Principle 10 (Design Control Activities): Management should design control activities to achieve objectives and respond to risks, including maintaining accurate and complete asset records.

...

Attributes

The following attributes contribute to the design, implementation, and operating effectiveness of this principle:

- Response to Risks
- Design of Appropriate Types of Control Activities
- Design of Automated and Manual Control Activities
- Design of Preventive and Detective Control Activities
- Design of Control Activities at Various Levels
- Segregation of Duties

Cause:

The FEC OCIO did not develop an adequate project plan for the implementation of the new IT inventory system. Contributing factors include insufficient system testing, incomplete data migration processes, lack of automated reporting capabilities, and limited staff training on system functionality.

Effect:

- The agency may not be able to rely on the IT inventory system to provide accurate and complete information about IT assets.
- Increased risk of security vulnerabilities due to unknown or untracked assets.
- Heightened risk of financial misstatement from inaccurate accounting of IT assets, including capitalized costs and depreciation.
- Increased risk of operational inefficiencies due to reliance on manual workarounds, limiting management's ability to make informed IT decisions.

Recommendation 1:

Develop and implement a remediation plan to address incomplete data migration and ensure all IT assets are captured accurately.

Recommendation 2:

Configure the system to generate standardized inventory reports for audit, compliance, and management review.

Recommendation 3:

Establish a process to perform regular reconciliations between procurement records, physical assets, and system data.

Recommendation 4:

Provide user training to staff responsible for entering, maintaining, and reviewing asset records.

Recommendation 5:

Develop and issue formal policies and procedures governing the use of the new IT inventory system, including asset entries, updates, retirements, and reconciliation.

Exhibit B - Management's Response to the Auditor's Report



THE FEDERAL ELECTION COMMISSION
Washington, DC 20463

December 17, 2025

On behalf of the Federal Election Commission (FEC) Management, thank you for providing the FY 2025 Financial Statement Audit Report.

We acknowledge the unmodified opinion rendered, which appropriately reflects the sustained efforts and ongoing process improvements implemented by the FEC staff. These results are a testament to the diligence required to meet audit standards and maintain financial accountability.

On Behalf of Management,

John Quinlan

John Quinlan
Chief Financial Officer

Management Response to the Audit Report

We acknowledge the finding and refer to management's response in the section below. However, we would like to provide additional commentary regarding the significant deficiency. While the IT inventory system was not fully operational during the audit period, there isn't a reasonable possibility of a meaningful financial misstatement. That is because OCIO maintains compensating controls over financial reporting, including controls over capitalization thresholds, expensing policies, procurement and payment records, and general ledger recording, and reconciliation of assets. These controls remain in place and operating.

There were no IT inventory purchases made during this accounting year and the previous year (2025 and 2024). Standard property plant and equipment reconciliation procedures were performed by FEC based on the data provided by the Federal Share Service Provider (FSSP). The last purchase of laptop inventory occurred in September 2023 (FY 2023) and FEC received an unmodified (clean) opinion on its financial statements from the independent auditor. Combined with the lack of purchases in 2024 and 2025, it seems unlikely that there is any significant potential for misstatement relative to the financial statements.

OCIO Management Response to the Notice of Finding and Recommendations:

IT Finding 2025-01: FEC OCIO Ineffective Implementation of IT Inventory System Significant Deficiency

Management concurs with the finding and recommendations.

OCIO Management acknowledges that the implementation of the new inventory system into the agency's ServiceNow environment did not go as smoothly as originally planned. Due to the expiration date of the contract for the previous inventory system, there was a limited time period for the migration of the data, which meant that the initial move to ServiceNow had to be done as a minimum viable product. That meant that OCIO and the agency's ServiceNow contractors continued to work on the migration on an iterative agile basis to refine and improve the system and correct data migration issues.

OCIO agrees that the recommendations listed here are good steps to take to ensure that the final implementation of the system is successful. Since the initial data migration, OCIO staff developed a plan, as noted in the first recommendation, to ensure data accuracy and are currently reconciling the data that was migrated from the old system. While the data exists correctly in the new system, generating accurate inventory reports has been more complex than in the prior system, requiring multiple iterations to validate completeness and accuracy. Due to time lost during the government shutdown, competing priorities (Windows 10 patching efforts), and reduced staff availability, OCIO will not issue a yearly inventory report this year as we continue refining the system with the contractor. OCIO will continue refining the reporting system to ensure a complete and accurate inventory report for the next reporting period. Once the initial data reconciliation is finished, the OCIO plans to perform regular reconciliations of data in the system with other records such as procurement records, as suggested by the third recommendation.

Moreover, OCIO believes that it has completed the fourth and fifth recommendations. In regard to training, our contractor has held many working sessions with OCIO Operations staff and the COR in which the use of the system was demonstrated. As required by the contract, the contractor also is currently preparing knowledge articles for system documentation and future reference. In regard to inventory policies and procedures, OCIO has also updated its formal policies and procedures to reflect the use of the new IT inventory system, including asset entries, updates, retirements, and reconciliation, and has submitted evidence of this today to the auditors.

Exhibit C – Evaluation of Management’s Response to the Auditor’s Report

FEC Management concurs with the condition but disagrees with the classification of the finding as a significant deficiency, citing the existence of compensating controls, the absence of IT inventory purchases in fiscal years 2024 and 2025, and the agency’s prior unmodified audit opinion. While these factors may reduce the likelihood of a material misstatement in the current period, they do not fully mitigate the control deficiency. Effective internal control requires systems capable of producing complete and accurate inventory information to support asset accountability and financial reporting, regardless of transaction volume.

The inability of the new system to generate reliable inventory reports represents a control design and operational deficiency that limits management’s ability to detect errors or omissions on a timely basis and increases reliance on manual or alternative controls. Accordingly, management’s response provides relevant context but does not fully address the underlying issue. The recommendation remains open until corrective actions are fully implemented and management demonstrates that the system can reliably produce complete and accurate inventory reports on an ongoing basis.

We have reviewed the FEC management’s response to the significant deficiency identified in IT Finding 2025-02: Ineffective Implementation of IT Inventory System. Our evaluation focuses on the adequacy, timeliness, and completeness of management’s corrective actions relative to the auditor’s recommendations. Management appropriately acknowledged the finding and provided context regarding the challenges faced during the transition to the ServiceNow IT inventory system. The explanation of time constraints, contract expiration, and reliance on an agile approach demonstrates transparency and a commitment to remediation.