



Federal Election Commission

Agency Financial Report

Fiscal Year 2020

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Federal Election Commission
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Message from the Chair



FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

OFFICE OF THE CHAIR

November 16, 2020

I am pleased to present the Federal Election Commission's (FEC) Agency Financial Report (AFR) for Fiscal Year (FY) 2020. The AFR reflects the agency's program performance and financial activities over the past year and demonstrates our continued commitment to administering the *Federal Election Campaign Act of 1971*, as amended (the *Act*).

The FEC protects the integrity of the Federal campaign finance process by providing the public with accurate and accessible information about how candidates raise and spend funds to support their campaigns, enforcing the campaign finance laws, and encouraging voluntary compliance through timely advice and educational outreach. By furnishing the public with timely and transparent campaign finance data and fairly and effectively enforcing the law, the Commission safeguards against corruption or its appearance and provides the citizenry with crucial information by which to evaluate candidates for Federal office.

The FEC 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. As a result, the FEC has been able to accommodate a steep rise in the number of financial transactions reported to the agency over the last several years. At the same time, the FEC has continued to prioritize improving the customer service it provides and ensuring that campaign finance information is readily available to the public.

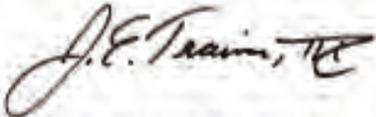
With respect to the agency's FY 2020 annual financial statements, the Commission received an unmodified opinion from its independent auditors. This unmodified opinion reflects the continued commitment by the Commissioners and FEC staff to ensure that the FEC's financial statements fairly present the agency's fiscal position.

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

In addition, the performance data described in the FEC's FY 2020 AFR were compiled and evaluated using appropriate techniques for achieving the desired level of credibility for the verification and validation of performance data relative to its intended use.

The efforts described in this report reflect the work and dedication of the agency's staff. The Commission is committed to continuing to fulfill the mission of the agency in the most efficient manner possible.

On behalf of the Commission,

A handwritten signature in black ink, reading "J.E. Trainor, III". The signature is written in a cursive style with a large, stylized initial "J".

James E. "Trey" Trainor III
Chair

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, 2019 through September 30, 2020.

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 2020 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: Purpose, Responsibility, and Scope

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 2020 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 2021.

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.

The Federal Election Commission was without a quorum of four Commissioners for approximately 11 months during FY 2020.² The *Act* requires the affirmative vote of four Commissioners for many actions. For example, the Commission cannot defend itself in some litigation, reach decisions in enforcement actions, issue advisory opinions or initiate rulemakings without the affirmative votes of four Commissioners. The FEC has identified the loss of a quorum as risk in the Agency-wide Risk Profile. Performance goals negatively affected by the loss of a quorum are noted in the discussion below.

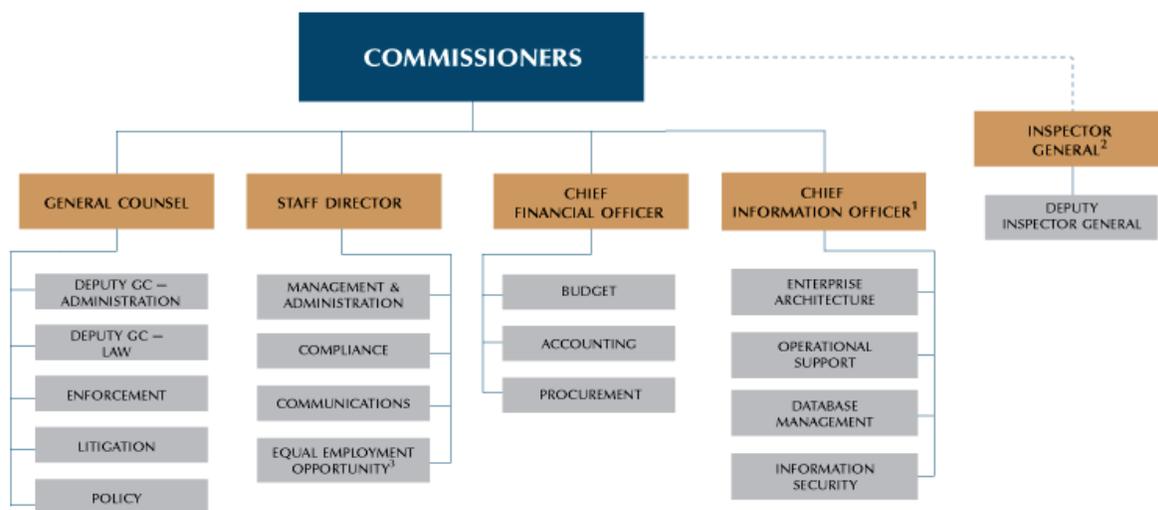
While the *Act* requires an affirmative vote by four Commissioners to make decisions in many areas, including regulations, advisory opinions, audit matters and enforcement, staff continues to further the agency's vital mission of administering the nation's campaign finance laws. The requirements of the *Act* and Commission regulations remain in effect, and political committees and other filers must continue to disclose their campaign finance activity to the Commission on the regular schedule. FEC staff continues to help committees and the public understand and comply with the law, process and review committee reports, and provide public access to campaign finance data. While the Commission cannot act on many legal matters, staff continues to litigate ongoing court cases, process new enforcement complaints and responses, and investigate matters previously authorized by the Commission.

In response to the pandemic caused by the novel coronavirus, the Federal Election Commission closed its offices to visitors and directed all of its employees to telework as of Friday, March 13,

² The FEC began FY 2020 without a quorum. A quorum was restored on June 5, 2020, when Commissioner James E. "Trey" Trainor, III, was sworn in. The FEC again began working without a quorum on July 3, 2020, with the departure of Commissioner Caroline C. Hunter.

2020. A formal evacuation notice was issued the following week. Nevertheless, the FEC’s website, web-based programs and electronic filing systems have remained online, and staff access to phone and email has been uninterrupted. Most Commission operations were not interrupted by the transition to an exclusively teleworking agency. However, the Commission temporarily suspended its mail operations and ceased fingerprinting new employees. During the suspension of mail operations, the agency did not process any documents submitted on paper, including non-electronically filed reports, advisory opinion requests, enforcement complaints and court-case documents. Website notices directed those interested in those activities to use email and explained the delayed processing of mail. On Thursday, June 18, 2020, the FEC began the initial phase of its return to normal operations. During Phase I of the FEC’s reopening, the agency’s offices remain closed to visitors, and most of its employees continue to telework. However, the FEC resumed processing mail, including any mail delivered since the agency suspended its mail operations in March 2020. Additionally, fingerprinting and onboarding new employees and contractors resumed.

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

Ä 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).

Ä 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.

Ä 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 and ensures agency employees have a technology infrastructure

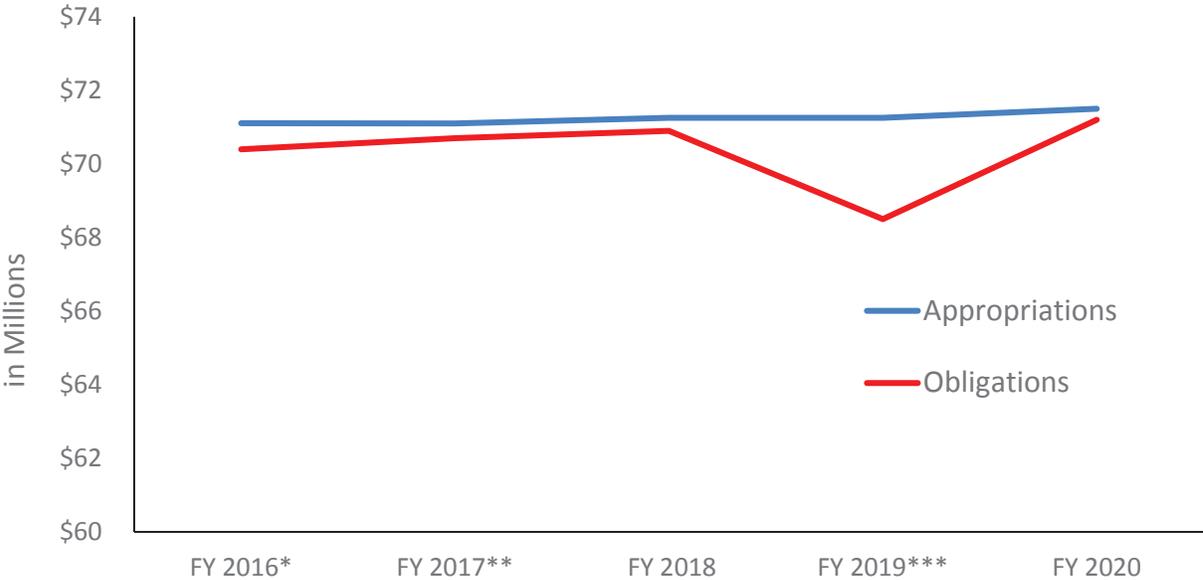
that allows them to perform their day-to-day responsibilities administering and enforcing campaign finance law. OCIO also develops and supports analytic reporting tools that help staff perform their disclosure and compliance duties.

Ā 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 appropriations and obligations from FY 2016 to FY 2020.



* \$5 million in 2 year funds related to the FEC office move not included in total.
 ** \$8 million in 2 year funds related to the FEC office move not included in total.
 *** December 22, 2018 through January 25, 2019 the FEC was shut down for 35 days.

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. The Commission may use those fees to defray the costs of conducting those conferences. The Commission sets its registration fees at a level that covers only the costs incurred by the agency’s conference-management contractor, including meeting room rental and conference meals and compensation. All other conference-related expenses, such as materials and staff travel, are paid using appropriated funds. Registration fees for FY 2020 were \$127,170.

Personnel vs. Non-Personnel Costs

Figure 3 represents the Commission's FY 2020 obligations by personnel and non-personnel costs. Personnel costs, which are primarily composed of salaries and employee benefits, accounted for 70.6 percent of the FEC's costs. The remaining 29.4 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.

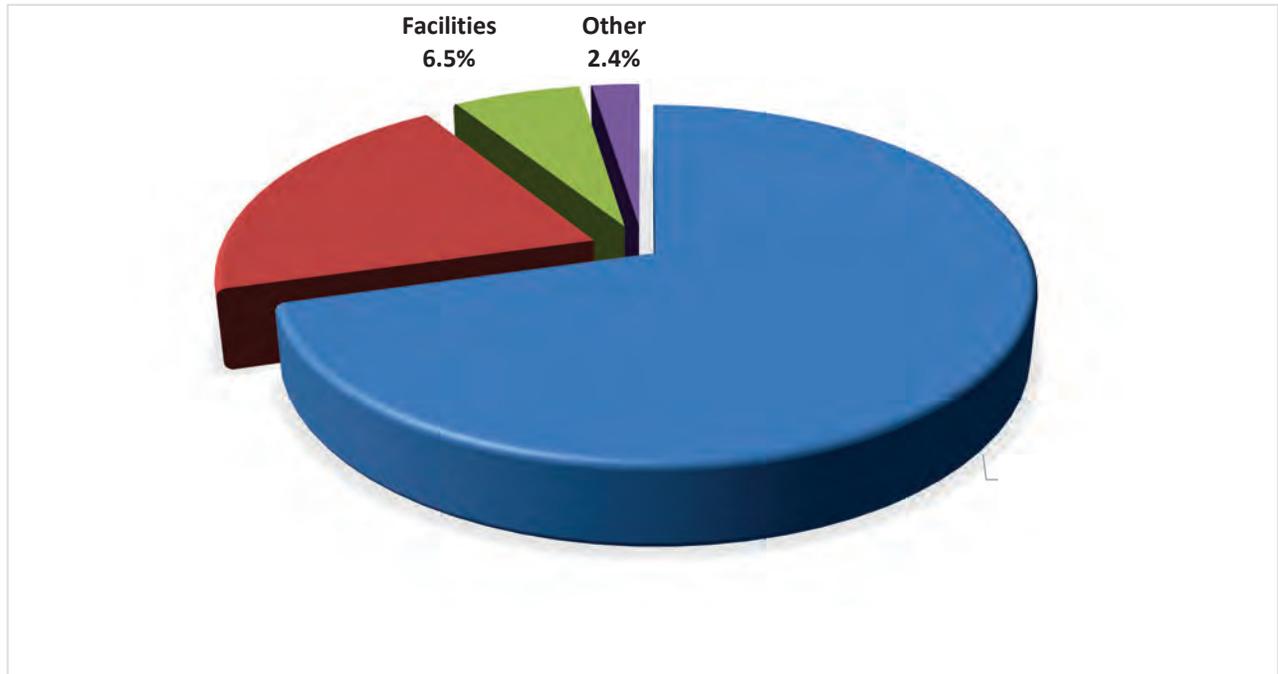


Figure 3: Fiscal Year 2020 by Major Category

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, and 2020 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. In addition, program offices thoroughly identified and evaluated fraud risk to support the Fraud Reduction Report. The current Agency-wide Risk Profile is shown below and further discussion on risk is discussed in the remaining MD&A sections.

Federal Election Commission - FY 2020 ERM Risk Profile

Identified Significant Risk	Inherent Risk Rating	Current Risk Response	Residual Risk Rating	Proposed Additional Action	Proposed Implementation/ Monitoring Process
Significant and Substantive Amendments to FECA/Pending Judicial Opinions	Medium	Acceptance: monitoring	Medium	Not in Management's Control	OGC and Congressional Affairs
Absence of Quorum/Confirmation of Commissioners	Very High	Reduction: Directive 10	Very High	Not in Management's Control	OGC and Congressional Affairs
Significant Increase in Federal Election Campaign Disclosure Activity	High	Reduction: infrastructure improvements	Medium	Move to scalable cloud- based computing and development of new e- filing platform.	OCIO Performance/ Monitoring Reports
Changes to Government-wide Directives including Human Capital and Operating Requirements	Medium	Acceptance: monitoring	Medium	Continue monitoring centralized repository for new executive orders, directives, memorandums, and other guidance.	OGC and OHR
Disruptions to Agency Operations	Medium	Acceptance: monitoring	Medium	Not in Management's control. Updates to the Disaster Recovery Plan, COOP, and Shutdown Plan.	Monitor by Senior Management
Multiple Acting Positions, including key positions	Very High	Acceptance: monitoring	High	Continue to support hiring initiatives and streamline hiring process. The ability to hire GS-15s and SLs when there is lack or quorum is out of Management's control.	Personnel and Finance Committees

Identified Significant Risk	Inherent Risk	Current Risk Response	Residual Risk Rating	Proposed Additional Action	Proposed Implementation/ Monitoring Process
High Volume of Retirement Eligible Employees	Medium	Reduction: succession planning	Medium	Encourage succession planning, cross-training, and pooling support services.	Retirement Eligibility Report
Major Functions Performed by One Individual	Medium	Reduction: cross-train and document processes	Medium	Cross-train individuals to perform major functions. Document procedures and processes.	Internal Controls
Privacy and Data Protection	Medium	Reduction: corrective actions and internal controls	Medium	Continue to implement corrective actions and enhance internal controls.	Corrective Action Plan/Internal Controls
Assessments and System Authorizations	Medium	Reduction: corrective actions and internal controls	Medium	Continue to implement corrective actions and enhance internal controls.	Corrective Action Plan/Internal Controls
Outdated Policies, Procedures, and Commission Directives	Medium	Reduction: implementing, revising, and reviewing policies, procedures, and Directives.	Medium	Update policies, procedures, and Directives in response to the FEC move, 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 2020 APR.³ This report will be part of the FEC's FY 2022 Congressional Budget Justification, which will be available at <https://www.fec.gov/about/reports-about-fec/strategy-budget-and-performance/> in 2021.

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's eFiling system acts as the point of entry for submission of electronically filed campaign finance reports, providing faster access to reports and streamlining operations. This system provides for public disclosure of electronically filed reports, via the FEC website, within minutes of being filed. When a committee files a financial disclosure report on paper, the Commission ensures that a copy is available for public inspection within 48 hours of receipt, both electronically on the website and at the FEC's offices in Washington, D.C.⁴ The FEC is committed to providing timely and

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.

⁴ In response to the pandemic caused by the novel coronavirus, the FEC closed its offices to visitors as of Friday, March 13, 2020.

transparent campaign finance disclosure to the public and delivering data in accessible and easy-to-use formats.

During FY 2021, the FEC will continue work to upgrade the agency’s eFiling platform. In FY 2017, the Commission published a study of its current eFiling platform, including a survey of the existing functionality of the FEC’s free filing software and an in-depth investigation of needs expressed by filers.⁵ The FEC will rely on the recommendations of this study to improve its eFiling platform to allow greater operating system flexibility for users when generating filings for submission to the Commission and increase the consistency and accuracy of reporting. The FEC’s new eFiling platform is expected to improve the process for validating filings prior to acceptance and generate modern file outputs that will provide for more flexibility in accessing data. The FEC had expected to begin the implementation phase of this project during FY 2021. However, COVID-19 related delays in fingerprinting and onboarding new staff and contractors subsequently contributed to delays in the FEC’s efforts to complete the development phase of the eFiling platform during FY 2020. As a result, the FEC expects to begin partial implementation of the new eFiling system during FY 2021 and to complete implementation of the new eFiling platform during FY 2022. Full deployment to filers is expected for the 2023-2024 election cycle.

The Commission is improving and refining its website through iterative development, ensuring the FEC continues to provide an effective, user-centered online platform to deliver campaign finance information to its diverse base of users. This effort will ensure that the FEC provides full and meaningful campaign finance data and information in a manner that meets the public’s increasing expectations for data customization and ease of use.

Performance measures 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 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Actual	FY 2020 Target	FY 2020 Actual	FY 2021 Target	FY 2022 Target
92%	100%	96%	100%	94% ⁶	95%	98%	95%	95%

⁵ Available at <https://fec.gov/about/reports-about-fec/agency-operations/e-filing-study-2016/>.

⁶ 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.

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 through its Information Division, Reports Analysis Division (RAD), Press Office and Office of Congressional, Legislative and Intergovernmental Affairs. The FEC measures its progress in meeting this Objective through two performance measures: one that measures the agency's efforts to encourage voluntary compliance through educational outreach and information and another that measures the FEC's efforts to seek adherence to *FECA* requirements through fair, effective and timely enforcement and compliance programs. Progress against these measures is detailed in the charts below.

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

The FEC's education and outreach programs provide information necessary for compliance with campaign finance law and give the public the context necessary to interpret the campaign finance data filers disclose. The FEC maintains a toll-free line and public email accounts to respond to inquiries regarding campaign finance data disclosed to the public and questions about how to comply with campaign finance law and its reporting requirements. The FEC's Public Disclosure and Media Relations Division and Congressional Affairs Office also respond to inquiries.

One way the Commission encourages voluntary compliance is by hosting conferences across the country, where Commissioners and staff explain how the *Act* applies to candidates, parties and political action committees. These conferences address recent changes in the law and focus on fundraising, methods of candidate support and reporting regulations.

The FEC also devotes considerable resources to ensuring that staff can provide distance learning opportunities to the general public. The Commission's website is one of the most important sources of instantly accessible information about the *Act*, Commission regulations, and Commission proceedings. In addition to viewing campaign finance data, anyone with internet access can use the website to track Commission rulemakings, search advisory opinions, audits and closed enforcement matters, view campaign finance data, and find reporting dates. The Commission places a high emphasis on providing educational materials about campaign finance law and its requirements. Toward this end, the FEC has moved its focus away from the printing and manual distribution of its educational materials and instead looked for ways to leverage available technologies to create and disseminate dynamic and up-to-date educational materials through the website. While the Commission continues to make available printed copies of its educational brochures and publications, transitioning to primarily web-based media has allowed the agency to reduce significantly its printing and mailing costs and use of resources while at the same time encouraging new and expanded ways of communicating with the public via the website.

As part of this broad effort to improve its internet communications and better serve the educational needs of the public, the Commission maintains its own YouTube channel, which can be found at <http://www.youtube.com/FECTube>. The YouTube channel offers a variety of instructional videos and tutorials that enable users to obtain guidance tailored to their specific activities.

The agency’s educational outreach program has been significantly enhanced with the addition of an online training service that 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 will 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. These efforts are also important in monitoring and mitigating the risk that amendments to FECA or judicial opinions have on the campaign finance environment and the FEC’s goal of encouraging voluntary compliance with the *Act*.

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 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Actual	FY 2020 Target	FY 2020 Actual	FY 2021 Target	FY 2022 Target
4.34	4.53	4.43	4.53	4.45	4.0 or higher on a 5.0 scale	4.51	4.0 or higher on a 5.0 scale	4.0 or higher on a 5.0 scale

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 via the FEC website.

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 under the *FECA* 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. Subject to limited redactions, threshold requirements approved by the Commission and used by RAD and the Audit Division are public.

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 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Actual	FY 2020 Target	FY 2020 Actual	FY 2021 Target	FY 2022 Target
49%	38%	68%	62%	56%	50%	62%	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 court and the courts of appeals. 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 that present a specific transaction or activity related to that 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.

Defending Challenges to the Act

The Commission represents itself in most litigation before the Federal district court and courts of appeals 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 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Actual	FY 2020 Target	FY 2020 Actual	FY 2021 Target	FY 2022 Target
100% ⁷	100% ⁸	100% ⁹	100% ¹⁰	100% ¹¹	100%	100% ¹²	100%	100%

⁷ The Commission obtained extensions to consider two advisory opinion requests in FY 2015. The Commission did not have any rulemakings during FY 2015 with statutory or court-ordered deadlines.

⁸ The Commission obtained extensions to consider six advisory opinion requests in FY 2016.

⁹ The Commission obtained extensions to consider seven advisory opinion requests in FY 2017.

¹⁰ The Commission obtained an extension to consider one advisory opinion request in FY 2018.

¹¹ 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.

¹² Due to the lack of a quorum for most of FY 2020, the Commission sought extensions from all advisory opinion requestors. The Commission obtained extensions from seven of those requestors in FY 2020. Two advisory opinion requestors declined to grant an extension and, once the deadline for responding to those requests expired, the Commission notified those requestors that it was unable to approve an advisory opinion by the required affirmative vote of four commissioners.

Objective 4: Foster a Culture of High Performance

The Commission understands that the success of its programs depends upon the skills and commitment of its staff. The Commission is focused on ensuring that staff training needs are assessed and met at every level of the agency and that agency leaders receive training necessary to help manage and maintain a fully engaged and productive workforce. The FEC is also focused on decreasing the time to hire, improving the agency’s performance management systems and developing a supervisory and managerial training program for senior leaders, mid-career managers and first-time supervisors.

The FEC is also implementing a multi-phase plan to reduce reliance on physical servers and migrate appropriate systems and data to a cloud environment. In conjunction with the redesign of the agency’s website, the FEC successfully migrated its largest database, the campaign finance database, to a cloud environment and shut down one physical data center during FY 2018. Cloud hosting offers a number of benefits for the FEC’s campaign finance database and website. The agency’s internet traffic is variable, with many more visitors accessing the website during election years and near reporting deadlines. With a cloud-hosted application and database infrastructure, the FEC only needs to pay for the actual usage, rather than constantly maintaining the capacity to support peak usage, even during periods of reduced usage. Website downtime is minimized and server maintenance is managed by the cloud computing provider. During FY 2020, the FEC conducted a study to determine how best to migrate other appropriate systems and databases to the cloud, allowing the agency to realize greater efficiency and performance in future years. The FEC will focus on implementing the results of this study during FY 2021.

The Commission’s records management program continues to make advancements, as described below. Fiscal Years 2021 and 2022 will bring continued focus on updating the agency’s records schedules in compliance with the Transition to Electronic Records Memorandum, updating the agency’s Records Management Program, and training all staff on the agency and government-wide records schedules, policies and responsibilities.

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

Key Indicator: Commission-required quarterly updates meet targeted performance goals.								
FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Actual	FY 2020 Target	FY 2020 Actual	FY 2021 Target	FY 2022 Target
80%	76%	85%	73%	53% ¹³	65%	73% ¹⁴	65%	65%

¹³ 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.

¹⁴ The agency’s performance under this measure was negatively impacted by the lack of a quorum for most of FY 2020.

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

The FEC's FY 2020 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 2020:

Net Financial Condition	FY 2020	FY 2019	Increase (Decrease)	% Change
Assets	\$36,566,339	\$42,400,892	(\$5,834,553)	-14%
Liabilities	\$16,039,162	\$15,238,967	\$800,195	5%
Net Position	\$20,527,177	\$27,161,925	(\$6,634,748)	-24%
Net Cost	\$79,867,804	\$69,259,101	\$10,608,703	15%
Budgetary Resources	\$79,061,462	\$75,551,616	\$3,509,846	5%
Custodial Revenue	\$760,511	\$2,906,662	(\$2,146,151)	-74%

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 (e.g., 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 \$2.7 million, or 10 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 decreased by approximately \$230 thousand dollars from the prior year.

Total assets decreased by \$5.8 million from the prior year to \$36.5 million. Total liabilities increased by approximately \$800 thousand.

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 15% fluctuation 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 24 percent, or approximately \$7 million. In FY 2017, the FEC received approximately \$8 million in two-year appropriated funds, which expired at the end of FY 2018.

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 increase by approximately \$4 million, or 5 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 2020, the total custodial revenue and collections decreased by approximately \$2 million from the prior year.

The chart below displays the assessment history for the past 20 years.¹⁵

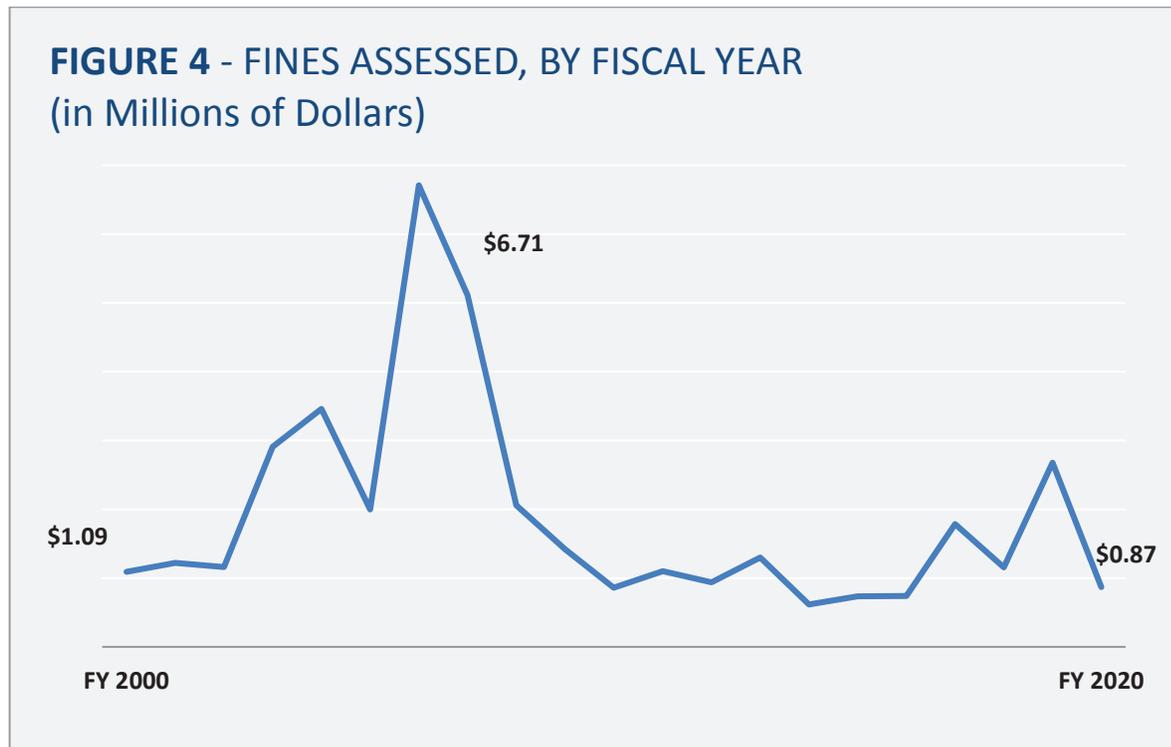


Figure 4: Fines Assessed, by Fiscal Year (in millions of dollars)

Financial impact, if significant, of the coronavirus disease 2019 (COVID-19)

The FY20 financial impact of the coronavirus disease 2019 on the Federal Election Commission was not significant. Approximately \$20,000 was spent on COVID-19 PPE Equipment, Supplies, Equipment, Signage, and Mitigation Countermeasures. These expenditures were made with FY20 appropriated funds allocated to the Administrative Services Division (ASD) within the scope of their normal budgetary purchasing authorities as outlined in the Management Plan. Expenditures were made either with the ASD Government Purchase Card, or through the GSA Advantage Supply Ordering Mechanism under the Supply & Materials Budget Object Class Code 26 Supplies and Materials. COVID-19 spending only utilized approximately 23% of the FEC’s Admin Office’s Supplies and Materials Budget for FY20.

¹⁵ 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;

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

Fraud Reduction and Data Analytics Act of 2015

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 2020 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 eleven 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 2020 was nearly 100 percent, with less than 0.27 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 72 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 2020 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.

Annual Assurance Statement on Internal Control



FEDERAL ELECTION COMMISSION
Washington, DC 20463

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, 2020.

A handwritten signature in black ink that reads "J.E. Trainor, III". The signature is written in a cursive, flowing style.

James E. "Trey" Trainor III
Chair

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 II – Auditor’s Report and Financial Statements

Message from the Chief Financial Officer

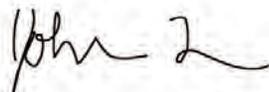
November 16, 2020

I am pleased to present the Commission's financial statements for Fiscal Year (FY) 2020. The financial statements are an integral part of the Agency Financial Report. The Commission received an unmodified (clean) opinion on its financial statements from the independent auditors. This marks the twelfth consecutive year with no material weaknesses identified. I appreciate and applaud the good work of OCFO and all FEC staff who strived diligently throughout the fiscal year to achieve these results and maintain a commitment to excellence.

During fiscal year 2020, FEC made considerable progress improving internal controls and agency operations. These efforts include strengthening FEC's annual review of internal controls by maturing FEC's risk identification and mitigation processes by better aligning individual program office with identified enterprise risks. In addition, I am pleased to see the progress in reducing outstanding recommendations made by the Office of the Inspector General (OIG). Working through the FEC's Senior Management Council and OIG, the agency has resolved 29 recommendations since August of 2018 and addressing outstanding recommendations no longer appears as a top management challenge. We look forward to continuing to work with the OIG to improve agency operations and further reduce outstanding recommendations.

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: Christopher Skinner 

SUBJECT: Transmittal of the Federal Election Commission's Fiscal Year 2020 Financial Statement Audit Report

DATE: November 16, 2020

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, 2020. Enclosed you will find the Independent Auditor's final audit report on the FEC (*i.e.*, the "FEC" or "Commission") FY 2020 Financial Statements. The final audit report is additionally included in Section II of the FEC's FY 2020 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. 17-03, *Audit Requirements for Federal Financial Statements*.

In Brown & Company's opinion, the financial statements present fairly, in all material respects, the financial position, net cost, changes in net position, budgetary resources, and custodial activity of the FEC as of, and for the year ending, September 30, 2020, in conformance with accounting principles generally accepted in the United States of America.

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 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. However, they identified significant deficiencies with the Commission's internal controls related to IT security and documented six recommendations (four of which were repeat recommendations from the FY 2019 report) to address the deficiencies noted. The OIG acknowledges that three prior year recommendations have been closed. Management was provided a draft copy of the audit report for review and comment, and the official management comments to the report can be found in Exhibit C of the report.

The OIG reviewed Brown & Company's report and related documentation and provided the required oversight throughout the course of the audit. Our review and oversight are limited to ensuring the audit complies with applicable standards; however, we do not express an opinion regarding its results. The OIG's review determined that Brown & Company complied, in all material respects, with applicable Government Auditing Standards.

In accordance with OMB Circular No. A-50, *Audit Follow-up*, revised, the FEC is to prepare a corrective action plan (CAP) that will set forth the specific actions planned, along with other detailed requirements, to implement the agreed upon recommendations. Per Commission Directive 50, *Audit Follow-up*, the Commission has designated the Chief Financial Officer to be the audit follow-up official (AFO) for the financial statement audit. The AFO has thirty days from the release date of the audit report to provide the OIG with a draft CAP that will address the report findings and recommendations. The OIG will review the CAP and provide any comments within fifteen days of receipt. Thereafter, the AFO will finalize the CAP and provide the final CAP to the Commissioners with a courtesy copy to the OIG.

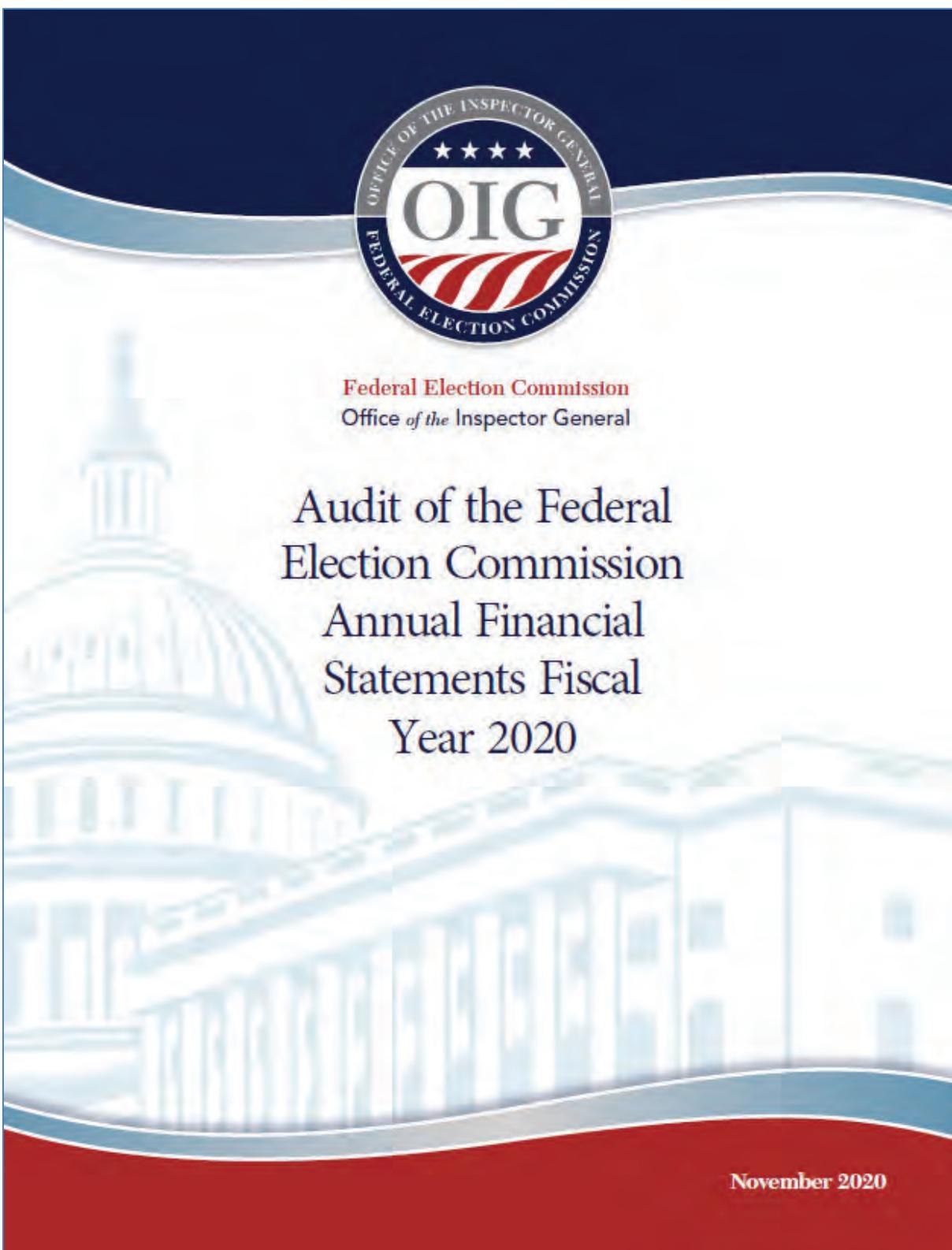
We appreciate the collaboration and support from FEC staff and the professionalism that Brown & Company exercised throughout the course of the audit. If you have any questions concerning the enclosed report, please contact my office at (202) 694-1015.

Thank you.

cc: John Quinlan, Chief Financial Officer
Alec Palmer, Staff Director/Chief Information Officer
Lisa Stevenson, Acting General Counsel
Gilbert A. Ford, Director of Budget
Greg Baker, Deputy General Counsel
Christine McClarin, Acting Deputy Staff Director for Management and Administration



Independent Auditor's Report



November 2020

FEDERAL ELECTION COMMISSION
INDEPENDENT AUDITOR'S REPORT
FOR THE YEARS ENDED
SEPTEMBER 30, 2020 AND 2019



Prepared By:
Brown & Company CPAs and Management Consultants, PLLC
November 16, 2020

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BROWN & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS, PLLC

Independent Auditor's Report

Inspector General
Federal Election Commission
Washington, D.C.

In our audit of the fiscal year 2020 and 2019 financial statements of the Federal Election Commission (FEC), we found:

- FEC's financial statements as of and for the fiscal year ended September 30, 2020, and 2019, 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 procedures we performed; and
- no reportable noncompliance for fiscal year 2020 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 required supplementary information (RSI) and other information 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.

Report on the Financial Statements

In accordance with the provisions of 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, 2020 and 2019; the related statements of net cost, changes in net position, budgetary resources, and custodial activity for the fiscal years then ended; and the related notes to the financial statements.

We conducted our audit in accordance with U.S. generally accepted government auditing standards. We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinions.

Management's Responsibility

FEC's management is responsible for (1) the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; (2) preparing, measuring, and presenting the RSI in accordance with U.S. generally accepted accounting principles; (3) preparing and presenting other information included in documents containing the audited financial statements and auditor's report, and ensuring the consistency of that information with the audited financial statements and the RSI; and (4) maintaining effective internal control over financial reporting, including the design, implementation, and maintenance of 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 Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. U.S. generally accepted government auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. We are also responsible for applying certain limited procedures to RSI and other information included with the financial statements.

An audit of financial statements involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the auditor's assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation 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 the entity's internal control. Accordingly, we express no such opinion. An audit of financial statements also involves evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audit also included performing such other procedures as we considered necessary in the circumstances.

Opinion on Financial Statements

In our opinion, FEC's financial statements present fairly, in all material respects, FEC's financial position as of September 30, 2020, and 2019, and its net cost of operations, changes in net position, budgetary resources, and custodial activity for the fiscal years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

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. Although the RSI is not a part of the financial statements, FASAB considers this information 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, which consisted of inquiries of management about the methods of preparing the RSI and comparing the information for consistency with management's responses to the auditor's 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. We read the other

information included with the financial statements in order to identify material inconsistencies, if any, with the audited financial statements. Our audit was conducted for the purpose of forming an opinion on FEC's financial statements. We did not audit and do not express an opinion or provide any assurance on the other information.

Report on Internal Control over Financial Reporting

In connection with our audit of FEC's financial statements, we considered FEC's internal control over financial reporting, consistent with our auditor's responsibility discussed below. We performed our procedures related to FEC's internal control over financial reporting in accordance with U.S. generally accepted government auditing standards.

Management's Responsibility

FEC management is responsible for maintaining effective internal control over financial reporting, including the design, implementation, and maintenance of 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 Responsibility

In planning and performing our audit of FEC's financial statements as of and for the year ended September 30, 2020, in accordance with U.S. generally accepted government auditing standards, we considered the FEC's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, 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 which are to provide reasonable assurance that (1) 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 (2) 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.

Results of Our Consideration of Internal Control over Financial Reporting

Our consideration of internal control was for the limited purpose described above, and was not designed to identify all deficiencies in internal control that might be material weaknesses and significant deficiencies or to express an opinion on the effectiveness of FEC's internal control over

financial reporting. Therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

During our FY 2020 audit, we identified deficiencies in FEC's internal control over financial reporting that we do not consider to be material weaknesses. Nonetheless, these deficiencies warrant FEC management's attention. We have communicated these matters to FEC's management. Below and in Exhibit A are the significant deficiencies:

1. Logical account management activities are not consistently performed for separated users.
2. Baseline configuration standards are not fully implemented for all Windows devices.
3. Continuity of Operations Plan is not implemented and tested.
4. Security awareness training was not completed by all FEC system users.
5. Corrective Action Plans are not compliant with government requirements.

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 the 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 audit of FEC's financial statements, we tested compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements consistent with our auditor's responsibility discussed below. We caution that noncompliance may occur and not be detected by these tests. We performed our tests of compliance in accordance with U.S. generally accepted government auditing standards.

Management's Responsibility

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

Auditor's Responsibility

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 perform certain other limited procedures. Accordingly, we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to FEC.

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 FY 2020 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.

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 open recommendations from the FY 2019 Independent Auditor's Report, dated November 19, 2019. The status of prior year recommendations is presented in Exhibit B.

Management's Response to the Auditor's Report

Management has presented a response to the findings identified in our report. Management's response to the report is presented in Exhibit C. We did not audit FEC's response and, accordingly, we express no opinion on it.

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

In response to the draft report, FEC provided its plans to address the findings, and agreed with the recommendations to improve information system security controls. There are five findings of which two are new findings and six open recommendations. FEC comments are included in their entirety in Exhibit C.

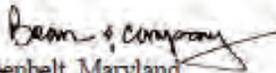

Greenbelt, Maryland
November 16, 2020

Exhibit A - Significant Deficiencies

Effectiveness of Information System Controls Over Financial Reporting

Findings and Recommendations

IT Finding 2020-01: Logical Account Management Activities Are Not Consistently Performed For Separated User (Repeat Finding)

Condition:

We identified an inconsistent implementation of FEC's account management controls for separated employees. FEC account management did not document its annual review of user accounts for the General Support System (GSS) and major application systems in accordance with their system security plan. Specifically, FEC's account management did not review user account access rights and privileges for the financial systems such as the WebTA, Pegasys and Comprizon systems. As a result, FEC management did not timely remove system user's accounts when the user separated from the agency.

Based on our review of active IT System user accounts, we identified:

- three of eleven GSS users were not removed timely, and
- one of 302 WebTA user accounts was not removed timely.

We note that upon notifying management of this finding, the three GSS user accounts were immediately removed.

Criteria:

NIST Special Publication (SP) 800-53, Revision 4 (Rev. 4), *Security and Privacy Controls for Federal Information Systems and Organizations*, Security Control AC-2 Account Management, states the following:

Control: The organization:

- f. Creates, enables, modifies, disables, and removes information system accounts in accordance with [Assignment: organization-defined procedures or conditions];
- g. Monitors the use of information system accounts;
- h. Notifies account managers:
 1. When accounts are no longer required;
 2. When users are terminated or transferred; and
 3. When individual information system usage or need-to-know changes;
- i. Authorizes access to the information system based on:
 1. A valid access authorization;
 2. Intended system usage; and
 3. Other attributes as required by the organization or associated missions/business functions;
- j. Reviews accounts for compliance with account management requirements [Assignment: organization-defined frequency]; and
- k. Establishes a process for reissuing shared/group account credentials (if deployed) when individuals are removed from the group.

FEC Account Management Policy, states:

All user account access rights and privileges should be reviewed annually and validated in accordance with General Support System and Major Application system security plans by the user's Direct Manager. The level of approval authority granted for user accounts should be based on the business criticality of the information or system to which the accounts are associated.

Accounts of users terminated under non-hostile circumstances should be suspended not later than the close of business (8:00 p.m.) of their final day of employment.

Cause:

FEC management has not complied with the FEC Account Management Policy or implemented sufficient monitoring controls to ensure compliance with NIST account management standards and guidelines.

Effect:

By not implementing a periodic review of all user accounts and disabling the accounts according to policy, there is an increased risk users could gain or retain unauthorized access and/or perform unauthorized functions and transactions within FEC systems.

Recommendation 1:

We recommend the FEC OCIO in conjunction with the direct managers perform and document periodic user access reviews for FEC systems according to the agency's system security plan.

IT Finding 2020-02: Baseline Configuration Standards Are Not Fully Implement For All Windows Devices.

Condition:

FEC has not fully implemented baseline configuration standards for all Windows environments in accordance with Security Technical Implementation Guide (STIG). A STIG is a cybersecurity methodology for standardizing security protocols within networks, servers, computers, and logical designs to enhance overall security. When implemented, these guides enhance security for software, hardware, physical and logical architectures to further reduce vulnerabilities.

FY 2020, FEC OCIO changed their standard configuration baseline requirements for Windows operating systems from the United States Government Configuration Baseline (USGCB) to STIG. The FEC OCIO is currently replacing Windows 7 operating systems with Windows 10 to meet the STIG requirements. However, the implementation of STIG configuration standards has not been fully implemented.

Criteria:

NIST Special Publication (SP) 800-53, Revision 4 (Rev. 4), *Security and Privacy Controls for Federal Information Systems and Organizations*, Security Control CM-2 Baseline Configuration, states the following:

Control:

The organization develops, documents, and maintains under configuration control, a current baseline configuration of the information system.

NIST SP 800-53, Rev. 4, *Security and Privacy Controls for Federal Information Systems and Organizations*, April 2013, Security Control CM-6, Configuration Settings, states the following:

Control: The organization:

- a. Establishes and documents configuration settings for information technology products employed within the information system using [Assignment: organization-defined security configuration checklists] that reflect the most restrictive mode consistent with operational requirements;
- b. Implements the configuration settings;
- c. Identifies, documents, and approves any deviations from established configuration settings for [Assignment: organization-defined information system components] based on [Assignment: organization-defined operational requirements]; and
- d. Monitors and controls changes to the configuration settings in accordance with organizational policies and procedures.

Cause:

The FEC OCIO postponed full implementation of the STIG baseline configuration standards last year because it was in the process of rolling out new laptops that would include Windows 10. However, this process was further delayed due to the COVID-19 environment constraints.

Effect:

FEC information systems are at increased risk by not implementing its STIG baseline configuration standards established for the agency.

Recommendation 2:

We recommend that the FEC OCIO fully implement STIG baseline configuration standards for Windows devices.

IT Finding 2020-03: Continuity Of Operations Plan Is Not Implemented And Tested (Repeat Finding)

Condition:

Based on our review of the most current FEC *Continuity of Operations Plan (COOP)* and other supporting documentation, we conclude that the COOP has not been fully implemented and tested. In FY 2020, the FEC OCIO updated the *FEC Continuity of Operation Plan*. However, FEC management has not performed test, training and exercise (TT&E) activities in accordance with the FEC COOP. TT&E aids in verifying that an organization's continuity plan is capable of supporting the continued execution of the organization's essential functions throughout the duration of a continuity event. Specifically, FEC has not fully developed, coordinated, and conducted TT&E to assess and validate its continuity plans, policies, procedures, and systems.

Also, as reported in prior periods, the FEC did not implement the agency's policy to develop system-specific contingency plans for critical information systems.

Criteria:

NIST Special Publication (SP) 800-53, Revision 4 (Rev. 4), *Security and Privacy Controls for Federal Information Systems and Organizations*, Security Control CP-2 Contingency Plan, states the following:

Control: The organization:

- a. Develops a contingency plan for the information system that:
 1. Identifies essential missions and business functions and associated contingency requirements;
 2. Provides recovery objectives, restoration priorities, and metrics;
 3. Addresses contingency roles, responsibilities, assigned individuals with contact information;
 4. Addresses maintaining essential missions and business functions despite an information system disruption, compromise, or failure;
 5. Addresses eventual, full information system restoration without deterioration of the security safeguards originally planned and implemented; and
 6. Is reviewed and approved by [Assignment: organization-defined personnel or roles];
- b. Distributes copies of the contingency plan to [Assignment: organization-defined key contingency personnel (identified by name and/or by role) and organizational elements];
- c. Coordinates contingency planning activities with incident handling activities;
- d. Reviews the contingency plan for the information system [Assignment: organization-defined frequency];
- e. Updates the contingency plan to address changes to the organization, information system, or environment of operation and problems encountered during contingency plan implementation, execution, or testing;
- f. Communicates contingency plan changes to [Assignment: organization-defined key contingency personnel (identified by name and/or by role) and organizational elements]; and
- g. Protects the contingency plan from unauthorized disclosure and modification.

NIST Special Publication (SP) 800-53, Revision 4 (Rev. 4), *Security and Privacy Controls for Federal Information Systems and Organizations*, Security Control CP-4 Contingency Plan Testing, states the following:

Control: The organization:

- a. Tests the contingency plan for the information system [Assignment: organization-defined frequency] using [Assignment: organization-defined tests] to determine the effectiveness of the plan and the organizational readiness to execute the plan;
- b. Reviews the contingency plan test results; and
- c. Initiates corrective actions, if needed.

The FEC *Continuity of Operations and Disaster Recovery Policy*, Policy Number 58-2.9, was adopted in September 2004 and updated in February 2010. The FEC policy states:

Business continuity and disaster recovery plans should be tested/re-assessed on a regular basis.

- Plans should not be considered valid until tested for practicality, executability, errors and/or omissions. The initial validation test should consist of a simulation or tactical test.
- Once validated, plans should be tested annually, or when substantive changes occur to the system, to the system environment, or to the plan itself.
- Test results should be maintained in a journal format and retained for analysis.
- Validated change recommendations resulting from testing activities should be incorporated into plans immediately.

Cause:

The FEC OCIO did not prioritize resources to implement and perform a routine test of its COOP to familiarize staff members with their roles and responsibilities during an emergency, ensure that systems and equipment are maintained in a constant state of readiness, and validate certain aspects of the COOP.

Effect:

Without implementing and testing a COOP before one is needed, increases the risk that the FEC's contingency plan would not include everything it needs and/or not be able to execute the plane in the most effective, efficient, and secure way

Recommendation 3:

We recommend the FEC OCIO utilize lessons learned from the COVID-19 pandemic to determine if any revisions are need to the *Continuity of Operation Plan*, and schedule periodic testing.

Recommendation 4:

We recommend that the FEC develop system-specific contingency plans, as appropriate for the agency risk level. (Repeat Recommendation)

IT Finding 2020-04: Security Awareness Training Was Not Completed By All FEC System Users

Condition:

Based on our review of FEC's security training status reports for FY 2020, all FEC system users (employees and contractors) did not complete security awareness training as required by the FEC *Federal Security Training and Awareness Policy*, Policy Number 58-1.2. The FEC Chief Information Officer (CIO) oversees the implementation and enforcement of the training policy. FEC OCIO provides training to all system users through its online training program that notifies users of training requirements and due dates. However, all system users did not complete the required training.

Specifically, based on our review of the security awareness training status reports, nine employees and one contractor of 379 system users listed did not complete training. Based on our review of the phishing training status report, one employee of 345 system users listed did not complete training.

Criteria:

National Institute of Standards and Technology (NIST) *Special Publication (SP) 800-53, Rev. 4, Security and Privacy Controls for Federal Information Systems and Organization*, AT-2 Security Awareness Training, states the following:

Control: The organization provides basic security awareness training to information system users (including managers, senior executives, and contractors):

- a. As part of initial training for new users;
- b. When required by information system changes; and
- c. [Assignment: organization-defined frequency] thereafter.

FEC Security Training and Awareness Policy, Policy Number 58-1.2, states the following:

....
A training curriculum for each group of employees, vendors and consultants should be established and maintained; all personnel should be trained and educated in system security principles appropriate to their level of management responsibility and access.

Cause:

The FEC OCIO does not have effective procedures to enforce the *FEC Security Training and Awareness Policy* to ensure all system users complete annual training.

Effect:

Without adequate training, employee may not understand system security risks and their role in mitigating those risks.

Recommendation 5:

We recommend the FEC OCIO implement an effective procedure to enforce compliance with the security awareness training policy to ensure all system users complete security training in accordance with the *FEC Security Training and Awareness Policy*.

IT Finding 2020-05: Corrective Action Plans Are Not Compliant With Government Requirements (Repeat Finding)

Condition:

During the fiscal year (FY) 2020 audit, the FEC Deputy Chief Information Officer updated the FEC Corrective Action Plan (CAP) and Plan of Action and Milestone (POA&M). However, the FEC CAP and POA&M need improvement to comply with government requirements. We identified the following areas where improvements are needed:

- The plan does not identify the resources required to correct a deficiency, including the types of resources needed to correct the deficiency.

- The plan does not have critical path milestones that affect the overall schedule or the corrective actions needed to resolve the deficiency, including a "date certain" that the deficiency will be corrected.
- Concerning the requirement in OMB Circular A-123 and Commission Directive 50, the agency must promptly resolve and perform internal control testing to validate the correction of the control deficiency.

Criteria:

OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, dated July 2016, requires each agency's CAP to address the following areas:

- Resources required to correct a control deficiency. The corrective action plan must indicate the types of resources needed (e.g., additional personnel, contract support, training, etc.), including non-financial resources, such as Senior Leadership support for correcting the control deficiency.
- Critical path milestones that affect the overall schedule for implementing the corrective actions are needed to resolve the control deficiency. The milestones must lead to a date certain of the correction of the control deficiency.
- Require prompt resolution and internal control testing to validate the correction of the control deficiency.
- Procedures to ensure that accurate records of the status of the identified control deficiency are maintained and updated throughout the entire process.

OMB Circular A-123, Section V, provides that agency managers are responsible for taking timely and effective action to correct deficiencies; correcting deficiencies is an integral part of management accountability and must be considered a priority by the agency. corrective action plans should be developed for all material weaknesses, and progress against plans should be periodically assessed and reported to agency management. Management should track progress to ensure timely and effective results.

National Institute of Standards and Technology (NIST) Special Publication (SP) 800-37, Revision (Rev.) 2, *Risk Management Framework (RMF) for Information Systems and Organizations*, December 2018, states the following in regard to plan of action and milestones:

Plan of Action and Milestones, Task A-6: Prepare the plan of action and milestones based on the findings and recommendations of the assessment reports.

Discussion: The plan of action and milestones is included as part of the authorization package. The plan of action and milestones describes the actions that are planned to correct deficiencies in the controls identified during the assessment of the controls and during continuous monitoring. The plan of action and milestones includes tasks to be accomplished with a recommendation for completion before or after system authorization; resources required to accomplish the tasks; milestones established to meet the tasks; and the scheduled completion dates for the milestones and tasks.

NIST SP 800-53A, Rev. 4, *Assessing Security and Privacy Controls in Federal Information Systems and Organizations*, - *Building Effective Assessment Plans*, December 2014, Security Control CA-5, Plan of Action and Milestones, states the following:

Determine if the organization:

- Develops a plan of action and milestones for the information system to:
 - document the organization's planned remedial actions to correct weaknesses or deficiencies noted during the assessment of the security controls;
 - reduce or eliminate known vulnerabilities in the system;
- Defines the frequency to update the existing plan of action and milestones;
- Updates the existing plan of action and milestones with the organization-defined frequency based on the findings from:
 - security controls assessments;
 - security impact analyses; and
 - continuous monitoring activities

Cause:

FEC has not implemented procedures to comply with the requirements for a plan of actions and milestones that meet federal requirements. This condition is also caused by a need for additional oversight and monitoring to ensure the agency meets Commission Directive A-50 and related OMB regulations.

Effect:

The agency is unable to:

- Ensure that realistic milestones are established;
- Ensure that targeted resolution dates are consistently met to reduce the agency's risk exposure; and
- Determine if risks are not accepted, mitigated or responded to with actionable plans and decisions.

Recommendation 6:

We recommend that the FEC Chief Information Officer improve the plan of action and milestones report for the information system to include:

- Resources required to correct a control deficiency.
- Critical path milestones that affect the overall schedule for implementing the corrective actions are needed to resolve the control deficiency.
- Plan for prompt resolution and internal control testing to validate the correction of the control deficiency.

Exhibit B - Status of Prior Year's Findings and Recommendations

Number	Status of FY 2019 and Prior Year's Audit Recommendations	Status as of September 30, 2020
1.	Take actions to ensure that the agency's CAP includes all of the requirements of Commission Directive A-50 and OMB Circular A-123.	Open See Finding 5
2.	Complete the project relating to review of user access authorities and ensure necessary budgetary and personnel resources are provided to complete this project in a timely manner.	Open See Finding 1
3.	Finalize the draft FEC policies that require annual recertification of users' access authorities. Ensure that the policies address privileged accounts, and require validation to actual system access records, by supervisory personnel who would have knowledge of the users' requirements for accessing FEC information and information systems.	Open See Finding 1
4.	Implement USGCB baseline configuration standards for all workstations regardless of the current hardware in use.	Closed
5.	Ensure that sufficient resources are assigned to the task of testing the COOP, a critical IT control process, in order to reduce risk to the FEC, and complete all requires tests in a timely manner.	Open See Finding 3
6.	Develop system specific contingency plans, as required by the NIST RMF.	Open See Finding 3
7.	Develop and update, a plan of action and milestones for the information system that documents the organization's planned, implemented, and evaluated remedial actions to correct deficiencies noted during the assessment of the security controls and to reduce or eliminate known vulnerabilities in the system.	Open See Finding 5
8.	Review information system accounts in accordance with organization-defined frequency; and the FEC initiates required actions on information system accounts based on the review.	Open See Finding 1
9.	Update the FEC's Segregation of Duties Policy to include defining information system access authorizations to support separation of duties.	Closed
10.	Implement session lockout control in accordance with organization-defined procedures.	Closed

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



FEDERAL ELECTION COMMISSION
Washington, DC 20463

November 16, 2020

On behalf of Federal Election Commission (FEC) Management, I would like to thank the FEC Office of the Inspector General and Brown & Company for their diligent work auditing the FEC's FY 2020 financial statements. The unmodified opinion that you rendered is reflective of the hard work and continued process improvements made by the FEC staff. The close-out of several recommendations from previous financial statement audits demonstrates significant progress in improving the FEC's IT security posture and resilience. We also note that the financial statement audit made several other recommendations related to IT systems and corrective action plan reporting. Enclosed herein is responses to those recommendations, as provided by the FEC Chief Information Officer.

On behalf of Management,

A handwritten signature in black ink, appearing to read "John Quinlan".

John Quinlan
Chief Financial Officer

Agency Response to the Final Draft Report

The Agency continues on the path to remediate all findings. Our responses provide an overview of how we plan to remediate each of the findings.

Findings and Recommendations

IT Finding 2020-01: Logical Account Management Activities Are Not Consistently Performed for Separated User (Repeat Finding)

Auditor's recommendation: We recommend the FEC OCIO in conjunction with the direct managers perform and document periodic user access reviews for FEC systems according to the agency's system security plan.

Management response:

Management concurs with this recommendation but notes that this finding has no impact on the actual security of FEC systems.

While OCIO has implemented strict account management procedures, it recognizes the need to document these procedures, including periodic user access reviews for FEC systems. OCIO continues to research effective ways to review account management procedures. If an effective procedure is found for a reasonable cost, it will be implemented to enable supervisors to review user access authorities annually.

In regard to the three IT user accounts in the GSS that were noted in the audit finding, OCIO wishes to note for the record that these users no longer have network access.

IT Finding 2020-02: Baseline Configuration Standards Are Not Fully Implement for All Windows Devices

Auditor's recommendation: We recommend that the FEC OCIO fully implement STIG baseline configuration standards for Windows devices.

Management response:

Management concurs with the Auditor regarding the full implementation of security technical implementation guide (STIG) baseline configuration standards for Windows 10 devices. In early 2020, the OCIO began distributing Windows 10 laptops then had to suspend temporarily due to the COVID-19 pandemic. As of October 2020, Windows 10 laptop distribution has resumed and DISA STIGs are being tested with an expected implementation date of Spring 2021.

IT Finding 2020-03: Continuity of Operations Plan Is Not Implemented and Tested (Repeat Finding)

Auditor's recommendation: We recommend the FEC OCIO utilize lessons learned from the COVID-19 pandemic to determine if any revisions are need to the *Continuity of Operation Plan*, and schedule periodic testing.

Management Response:

Management concurs with the Auditor's recommendation to use lessons learned from the pandemic and schedule periodic testing.

In 2019, the OCIO awarded a contract for a complete update to the COOP plan. Phase 1 of this update was completed at the end of FY 2020, with the delivery of an updated COOP plan. Mandatory COOP training was also conducted during FY 2020.

Phase II of the implementation of the COOP plan has begun. We will look at the lessons learned during the pandemic and implement them into these updated plans and periodic testing accordingly. The OCIO is actively engaged in reviewing test plans and exercises and anticipates completion of these items by Spring 2021.

Auditor's Recommendation: We recommend that the FEC develop system-specific contingency plans, as appropriate for the agency risk level. (Repeat Recommendation)

Management Response:

Management concurs with the Auditor's recommendation and is actively engaged in Phase II of the COOP Plan to complete information system contingency plans for mission essential functions. Expected completion is September 29, 2021. We believe it is important to note that the worldwide COVID-19 pandemic has demonstrated the FEC's commitment to ensuring its continuity of operations. In March 2020, the agency went into an evacuation order and moved swiftly and successfully to a 100 percent mandatory telework scenario.

IT Finding 2020-04: Security Awareness Training Was Not Completed by All FEC Employees

Auditor's recommendation: We recommend the FEC OCIO implement an effective procedure to enforce compliance with the security awareness training policy to ensure all system users complete security training in accordance with the *FEC Security Training and Awareness Policy*.

Management Response:

Management concurs with this recommendation and is committed to continued education of all staff and contractors in information security awareness. During FY 2020, the OCIO conducted anti-phishing training in April 2020 and began its annual security training during September 2020.

While some users did not complete the required phishing training on time; the OCIO continued to prod users to complete the training. By the end of FY 2020, all staff and contractors had finished the phishing training except for two individuals.

The agency conducted annual password training in September 2020, with a due date of October 21, 2020. Based on lessons learned from the phishing training, OCIO implemented an enforcement mechanism: Users were warned to complete the training by October 21 or have their network access revoked. This newly implemented mechanism proved successful as all active users completed the password training, except for one who has received an exception due to a long-term illness and one contractor on a stop-work order due to the pandemic.

Based on the success of the enforcement mechanism in the September – October 2020 password training, OCIO believes this finding should be closed. Going forward, the OCIO intends to continue to use the penalty of network access revocation combined with intensive outreach efforts to FEC staff and contractors to ensure they are aware of their responsibilities regarding information security and complete all required training

IT Finding 2020-05: Corrective Action Plans Are Not Compliant with Government Requirements (Repeat Finding)

Auditor's Recommendation:

We recommend that the FEC Chief Information Officer improve the plan of action and milestones report for the information system to include:

- Resources required to correct a control deficiency.
- Critical path milestones that affect the overall schedule for implementing the corrective actions are needed to resolve the control deficiency.
- Plan for prompt resolution and internal control testing to validate the correction of the control deficiency.

Management Response:

Management agrees with the Auditor's recommendation to improve the POAM used for documenting and tracking the agency's planned, implemented and evaluated remedial actions to correct deficiencies noted during the assessment of security controls. During FY 2020, the CIO and CISO developed a plan of action and milestones report for information systems and management continued to update and report on corrective action plans in accordance with the timeline identified in Commission Directive 50. OCIO's Security and Operational groups have a weekly meeting to go over vulnerability of GSS systems and prioritize and fix vulnerabilities, with the critical ones fixed first. Detailed POAM sheets are used to document the work of planning, implementing and evaluating actions noted during the assessment of security controls. OCIO's Security and Operational teams are fully committed to reduce or eliminate known vulnerabilities in agency's information systems and will continue to work on including the items noted in the audit findings.

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

Financial Statements

BALANCE SHEET

As of September 30, 2020 and 2019 (in dollars)

	<u>2020</u>	<u>2019</u>
Assets: (Note 2)		
Intragovernmental:		
Fund Balance With Treasury (Note 3)	\$ 23,431,710	\$ 26,164,174
Total Intragovernmental	23,431,710	26,164,174
Accounts Receivable, net (Note 4)	352,810	583,160
General Property, Plant and Equipment, Net (Note 5)	12,781,818	15,653,558
Total Assets	<u>\$ 36,566,338</u>	<u>\$ 42,400,892</u>
Liabilities: (Note 6)		
Intragovernmental:		
Accounts Payable	\$ 1,249,618	\$ 276,752
Other: (Note 7)		
Employer Contributions and Payroll Taxes Payable	555,293	413,442
Other Post Employment Benefits Due and Payable	3,500	3,500
Unfunded FECA Liability	-	61
Custodial Liability (Note 12)	352,811	583,160
Deferred Rent (Note 9)	7,254,175	7,850,409
Total Intragovernmental	9,415,397	9,127,324
Accounts Payable	1,037,120	1,363,678
Federal Employees and Veterans Benefits	232	7,792
Other: (Note 7)		
Accrued Funded Payroll and Leave	1,884,885	1,505,528
Employer Contributions and Payroll Taxes Payable	84,731	65,896
Unfunded Leave	3,546,642	3,112,591
Liability for Advances and Prepayments	70,155	56,158
Total Liabilities	<u>\$ 16,039,162</u>	<u>\$ 15,238,967</u>
Net Position:		
Unexpended Appropriations - All Other Funds (Consolidated Totals)	\$ 18,546,408	\$ 22,479,219
Cumulative Results of Operations - All Other Funds (Consolidated Totals)	1,980,769	4,682,706
Total Net Position - All Other Funds (Consolidated Totals)	20,527,177	27,161,925
Total Net Position	<u>20,527,177</u>	<u>27,161,925</u>
Total Liabilities and Net Position	<u>\$ 36,566,338</u>	<u>\$ 42,400,892</u>

The accompanying notes are an integral part of these statements.

STATEMENT OF NET COST

For The Years Ended September 30, 2020 and 2019 (in dollars)

	<u>2020</u>	<u>2019</u>
Program Costs:		
Administering and Enforcing the <i>FECA</i>		
Gross Costs	\$ 80,027,415	\$ 69,333,519
Less: Earned Revenue	112,883	74,418
Net Program Costs	<u>79,914,532</u>	<u>69,259,101</u>
Net Cost of Operations	<u><u>\$ 79,914,532</u></u>	<u><u>\$ 69,259,101</u></u>

The accompanying notes are an integral part of these statements.

STATEMENT OF CHANGES IN NET POSITION

For The Years Ended September 30, 2020 and 2019 (in dollars)

	FY 2020	
	<u>All Other Funds (Consolidated)</u>	<u>Consolidated Total</u>
Unexpended Appropriations:		
Beginning Balance	\$ 22,479,219	\$ 22,479,219
Budgetary Financing Sources:		
Appropriations received	71,497,000	71,497,000
Other adjustments	(476,424)	(476,424)
Appropriations used	(74,953,387)	(74,953,387)
Total Budgetary Financing Sources	<u>(3,932,812)</u>	<u>(3,932,812)</u>
Total Unexpended Appropriations	18,546,408	18,546,408
Cumulative Results from Operations:		
Beginning Balances	4,682,706	4,682,706
Beginning balance, as adjusted	<u>4,682,706</u>	<u>4,682,706</u>
Budgetary Financing Sources:		
Appropriations used	74,953,387	74,953,387
Other	46,728	46,728
Other Financing Sources (Non-Exchange):		
Imputed financing	2,259,208	2,259,208
Other	<u>(46,728)</u>	<u>(46,728)</u>
Total Financing Sources	77,212,595	77,212,595
Net Cost of Operations	79,914,532	79,914,532
Net Change	<u>(2,701,937)</u>	<u>(2,701,937)</u>
Cumulative Results of Operations	1,980,769	1,980,769
Net Position	<u>\$ 20,527,177</u>	<u>\$ 20,527,177</u>

The accompanying notes are an integral part of these statements.

STATEMENT OF CHANGES IN NET POSITION
For The Years Ended September 30, 2020 and 2019 (in dollars)

FY 2019

	All Other Funds (Consolidated Totals)	Consolidated Total
	<u> </u>	<u> </u>
Unexpended Appropriations:		
Beginning Balance	\$ 16,421,949	\$ 16,421,949
Budgetary Financing Sources:		
Appropriations received	71,250,000	71,250,000
Other adjustments	(386,245)	(386,245)
Appropriations used	(64,806,485)	(64,806,485)
Total Budgetary Financing Sources	<u>6,057,271</u>	<u>6,057,271</u>
Total Unexpended Appropriations	<u>22,479,219</u>	<u>22,479,219</u>
Cumulative Results from Operations:		
Beginning Balances	<u>6,247,456</u>	<u>6,247,456</u>
Beginning balance, as adjusted	6,247,456	6,247,456
Budgetary Financing Sources:		
Appropriations used	64,806,485	64,806,485
Other Financing Sources (Non-Exchange):		
Imputed financing (Note 10)	2,887,867	2,887,867
Total Financing Sources	67,694,351	67,694,351
Net Cost of Operations	<u>69,259,101</u>	<u>69,259,101</u>
Net Change	(1,564,750)	(1,564,750)
Cumulative Results of Operations	4,682,706	4,682,706
Net Position	<u>\$ 27,161,925</u>	<u>\$ 27,161,925</u>

The accompanying notes are an integral part of these statements.

STATEMENT OF BUDGETARY RESOURCES

For The Years Ended September 30, 2020 and 2019 (in dollars)

	2020	2019
	<u>Budgetary</u>	<u>Budgetary</u>
BUDGETARY RESOURCES		
Unobligated balance from prior year budget authority, net (discretionary and mandatory)	\$ 7,439,271	\$ 4,169,352
Appropriations (discretionary and mandatory)	71,497,000	71,250,000
Spending authority from offsetting collections (discretionary and mandatory)	125,191	132,264
Total budgetary resources (Note 11)	<u><u>\$ 79,061,462</u></u>	<u><u>\$ 75,551,616</u></u>
STATUS OF BUDGETARY RESOURCES		
New obligations and upward adjustments (total)	\$ 72,007,887	\$ 69,232,534
Unobligated balance, end of year:		
Apportioned, unexpired account	374,272	2,851,236
Unapportioned, unexpired accounts	-	7,264
Unexpired unobligated balance, end of year	<u>374,272</u>	<u>2,858,500</u>
Expired unobligated balance, end of year	<u>6,679,303</u>	<u>3,460,582</u>
Unobligated balance, end of year (total)	<u>7,053,575</u>	<u>6,319,082</u>
Total budgetary resources	<u><u>\$ 79,061,462</u></u>	<u><u>\$ 75,551,616</u></u>
OUTLAYS, NET		
Outlays, net (discretionary and mandatory)	73,753,039	64,987,148
Agency outlays, net (discretionary and mandatory) (Note 11, 14)	<u><u>\$ 73,753,039</u></u>	<u><u>\$ 64,987,148</u></u>

The accompanying notes are an integral part of these statements.

STATEMENT OF CUSTODIAL ACTIVITY
For The Years Ended September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Revenue Activity		
Sources of cash collections		
Civil penalties	\$ 831,658	\$ 2,046,477
Administrative fines	136,799	362,800
Miscellaneous receipts	22,404	361,361
Total cash collections	<u>990,861</u>	<u>2,770,638</u>
Accrual adjustments	(230,350)	136,024
Total custodial revenue (Note 12)	<u><u>\$ 760,511</u></u>	<u><u>\$ 2,906,662</u></u>
 Disposition of Collections		
Transferred to Treasury	990,861	2,770,638
Amount yet to be transferred	(230,350)	136,024
Total disposition of collections	<u>\$ 760,511</u>	<u>\$ 2,906,662</u>
Net custodial activity	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

The accompanying notes are an integral part of these statements.

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, 2020, the FEC recognized approximately \$ 2,259,200 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 22% decrease when compared to the \$ 2,887,900 of imputed cost and related financing source recognized in Fiscal Year 2019.

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 2020, 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 2020, 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 15.8% of basic pay for FY 2020. For both FERS-RAE and FERS-FRAE covered employees, the FEC made contributions of 9.4% and 14.2% respectively of basic pay for FY 2020.

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 2020. 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.

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, 2020 and September 30, 2019:

	<u>2020</u>	<u>2019</u>
With the Public		
Accounts Receivable - Custodial	352,810	583,160
Total non-entity assets	<u>352,810</u>	<u>583,160</u>
Total entity assets	36,213,528	41,817,732
Total Assets	<u><u>36,566,338</u></u>	<u><u>42,400,892</u></u>

Note 3 Fund Balance with Treasury

Fund Balance with Treasury consisted of the following as of September 30, 2020 and September 30, 2019:

	<u>2020</u>	<u>2019</u>
Fund Balances		
Appropriated Funds	\$ 23,431,710	\$ 26,164,174
Total	<u>\$ 23,431,710</u>	<u>\$ 26,164,174</u>
	<u>2020</u>	<u>2019</u>
Status of Fund Balance with Treasury		
Unobligated Balance		
Available	\$ 374,272	\$ 2,851,236
Unavailable	6,679,303	3,467,846
Obligated Balance not yet Disbursed	<u>16,378,135</u>	<u>19,845,092</u>
Total	<u>\$ 23,431,710</u>	<u>\$ 26,164,174</u>

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

All accounts receivable are with the public and consisted of the following as of September 30, 2020 and September 30, 2019:

	2020		
	Gross Accounts Receivable	Allowance	Net Accounts Receivable
Intragovernmental			
Intragovernmental	\$ -	\$ -	\$ -
Total Intragovernmental	\$ -	\$ -	\$ -
With the Public			
Fines and Penalties	\$ 528,125	\$ 175,315	\$ 352,810
Total Non-Entity	\$ 528,125	\$ 175,315	\$ 352,810
Total	\$ 528,125	\$ 175,315	\$ 352,810
	2019		
	Gross Accounts Receivable	Allowance	Net Accounts Receivable
Intragovernmental			
Intragovernmental	\$ -	\$ -	\$ -
Total Intragovernmental	\$ -	\$ -	\$ -
With the Public			
Fines and Penalties	\$ 714,855	\$ 131,695	\$ 583,160
Total Non-Entity	\$ 714,855	\$ 131,695	\$ 583,160
Total	\$ 714,855	\$ 131,695	\$ 583,160

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.

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 costs 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 are capitalized as software in development until the development stage is completed 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, 2020 and September 30, 2019, respectively:

2020

Asset Class	Service Life (years)	Acquisition Value	Accumulated Depreciation/Amortization	Net Book Value
Software	3	\$ 19,935,722	\$ 17,683,340	\$ 2,252,382
Computers and peripherals	3	\$ 3,328,407	\$ 2,449,332	\$ 879,075
Furniture	5	\$ -	\$ -	\$ -
Leasehold Improvements	5	\$ 10,125,947	\$ 4,950,903	\$ 5,175,044
Software-in-Development	n/a	\$ 4,475,317	\$ -	\$ 4,475,317
Total		<u>\$ 37,865,393</u>	<u>\$ 25,083,575</u>	<u>\$ 12,781,818</u>

2019

Asset Class	Service Life (years)	Acquisition Value	Accumulated Depreciation/Amortization	Net Book Value
Software	3	\$ 18,703,643	\$ 14,228,331	\$ 4,475,312
Computers and peripherals	3	\$ 3,067,116	\$ 3,067,116	\$ -
Furniture	5	\$ 852,754	\$ 852,754	\$ -
Leasehold Improvements	5	\$ 9,964,256	\$ 2,697,201	\$ 7,267,055
Software-in-Development	n/a	\$ 3,911,191	\$ -	\$ 3,911,191
Total		<u>\$ 36,498,960</u>	<u>\$ 20,845,402</u>	<u>\$ 15,653,558</u>

Note 6 Liabilities Not Covered by Budgetary Resources

Liabilities Not Covered by Budgetary Resources consisted of the following as of September 30, 2020 and September 30, 2019:

	<u>2020</u>	<u>2019</u>
Intragovernmental:		
Custodial Fines and Civil Penalties	\$ 352,810	\$ 583,160
Deferred Rent	7,254,175	7,850,409
Unfunded FECA Liability	-	61
Total Intragovernmental	<u>7,606,985</u>	<u>8,433,630</u>
With The Public:		
Unfunded Annual Leave	3,546,642	3,112,591
Liabilities for Advances and Prepayments	70,155	56,158
Actuarial FECA Liability	232	7,792
Total Liabilities Not Covered by Budgetary Resources	<u>\$ 11,153,859</u>	<u>\$ 11,554,013</u>
Total Liabilities Covered by Budgetary Resources	<u>\$ 4,815,148</u>	<u>\$ 3,628,796</u>
Total Liabilities Not Requiring Budgetary Resources	<u>\$ 70,155</u>	<u>\$ 56,158</u>
Total Liabilities	<u>\$ 16,039,162</u>	<u>\$ 15,238,967</u>

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.

The FEC accrued a liability related to the *Federal Employees' Compensation Act* as of September 30, 2020 and September 30, 2019.

Liabilities for Advances and Prepayments consist of unearned revenue from registration fees collected for the Regional Campaign Finance Conferences. As part of its program to encourage voluntary compliance with the Federal Election Campaign Act, the Federal Election Commission hosts educational conferences throughout the country. The FEC has received additional reimbursable authority for FY 2020 for conferences.

Note 7 Other Liabilities

As of September 30, 2020 and September 30, 2019, 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 are as follows:

	<u>2020 Non-Current</u>	<u>2020 Current</u>	<u>2020 Total</u>
Other Intragovernmental Liabilities:			
Employer Contributions and Payroll Taxes Payable	\$ -	\$ 555,293	555,293
Other Post Employment Benefits Due and Payable	-	3,500	3,500
Unfunded FECA Liability	-	-	-
Custodial Liability	159,207	193,604	352,811
Deferred Rent	6,657,942	596,233	7,254,175
Total Other Intragovernmental Liabilities:	\$ 6,817,149	\$ 1,348,630	\$ 8,165,779
Other Non-Federal Liabilities			
Accrued Funded Payroll and Leave	-	1,884,885	1,884,885
Employer Contributions and Payroll Taxes Payable	-	84,731	84,731
Unfunded Leave	-	3,546,642	3,546,642
Liability for Advances and Prepayments	-	70,155	70,155
Total Other Non-Federal Liabilities	\$ -	\$ 5,586,413	\$ 5,586,413
Total Other Liabilities	\$ 6,817,149	\$ 6,935,043	\$ 13,752,192

	<u>2019 Non-Current</u>	<u>2019 Current</u>	<u>2019 Total</u>
Other Intragovernmental Liabilities:			
Employer Contributions and Payroll Taxes Payable	\$ -	\$ 413,442	\$ 413,442
Other Post Employment Benefits Due and Payable	-	3,500	3,500
Unfunded FECA Liability	-	61	61
Custodial Liability	27,030	556,130	583,160
Deferred Rent	7,254,175	596,234	7,850,409
Total Other Intragovernmental Liabilities:	\$ 7,281,205	\$ 1,569,367	\$ 8,850,572
Other Non-Federal Liabilities			
Accrued Funded Payroll and Leave	-	1,505,528	1,505,528
Employer Contributions and Payroll Taxes Payable	-	65,896	65,896
Unfunded Leave	-	3,112,591	3,112,591
Liability for Advances and Prepayments	-	56,158	56,158
Total Other Non-Federal Liabilities	\$ -	\$ 4,740,173	\$ 4,740,173
Total Other Liabilities	\$ 7,281,205	\$ 6,309,540	\$ 13,590,745

Note 8 Commitments and Contingencies

As of September 30, 2020, in the opinion of FEC management and legal counsel, the FEC was not party to any legal action which results in a probable, measurable future outflow of resources that requires recognition in the financial statements. However, the FEC was party to legal action which could result in losses that are at least reasonably possibly. Furthermore, there are 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.

For comparative purposes, the following table includes the status of Commitments and Contingencies as of September 30, 2019.

Contingent Loss Table

	Accrued Liabilities	Estimated Range of Loss	
		Lower End	Upper End
As of September 30, 2020 Legal Contingencies:			
Probable	\$ -	\$ 500	\$ 500
Reasonably Possible	\$ -	\$ 34,483	\$ 34,483
As of September 30, 2019 Legal Contingencies:			
Probable	\$ -	\$ -	\$ -
Reasonably Possible	\$ -	\$ 255,401	\$ 255,401

Note 9 Leases

The FEC did not have any capital leases as of September 30, 2020 or September 30, 2019. 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 July 30, 2019, future payments under the operating lease are as follows:

Future Payments Due for Non-Cancelable Operating Lease - Building

2020	
<u>Fiscal Year</u>	<u>Lease Payment</u>
2021	5,161,065
2022	5,215,071
2023	5,270,698
2024	5,327,993
2025	5,387,007
2026	5,447,791
2027	5,510,399
2028	5,708,203
2029	5,801,287
2030	5,869,701
2031	5,940,166
2032	6,012,746
2033	933,755
Total	\$ 67,585,882

As per the terms of the lease agreement, the FEC was granted a total of \$8,943,503.52, 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, 2020 and 2019, respectively, inter-entity costs were as follows:

	<u>2020</u>	<u>2019</u>
Office of Personnel Management	\$ 2,259,208	\$ 2,887,867
Total Imputed Financing Sources	<u>\$ 2,259,208</u>	<u>\$ 2,887,867</u>

Note 11 Explanation of Differences between the Statement of Budgetary Resources and the Budget of the U.S. Government

The Statement of Budgetary Resources (SBR) compares budgetary resources with the status of those resources. For the year ended September 30, 2020, budgetary resources were \$79,061,462 and net outlays were \$73,753,039. For the year ended September 30, 2019, budgetary resources were \$75,551,616 and net outlays were \$64,987,148.

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, 2020 and September 30, 2019, direct obligations incurred amounted to \$71,882,696 and \$69,100,270, respectively. For the years ended September 30, 2020 and September 30, 2019, reimbursable obligations incurred amounted to \$125,191 and \$132,264, 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 2020 actual budgetary execution information is scheduled for publication in February 2021, 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.

Balances reported in the FY 2019 SBR and the related President's Budget reflected the following:

FY 2019	Budgetary Resources	New Obligations & Upward Adjustments	Distributed Offsetting Receipts	Net Outlays
Statement of Budgetary Resources	\$75,551,616	\$ 69,100,270	\$ -	\$ 64,987,148
<i>Budget of the U.S. Government</i>	71,000,000	68,000,000	-	65,000,000
Difference	<u>\$ 4,551,616</u>	<u>\$ 1,100,270</u>	<u>\$ -</u>	<u>\$ (12,852)</u>

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. The differences for obligations incurred and net outlays are due to rounding.

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	2020	2019
Fines, Penalties, and Other Miscellaneous Revenue	\$760,511	\$ 2,906,662
Custodial Liability		
Receivable for Fines and Penalties	\$ 528,126	\$ 714,855
Less: Allowance for Doubtful Accounts	\$ (175,315)	\$ (131,695)
Total Custodial Liability	\$ 352,810	\$ 583,160

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 decrease of approximately \$306,000 for FY 2020 and a net increase of approximately \$119,000 for FY 2019, respectively. The accrual adjustment for administrative fines is composed of a net increase of approximately \$316,000 in FY 2020 and a net decrease of approximately \$74,000 in FY 2019, respectively.

Note 13 Undelivered Orders at the End of the Period

For Fiscal Year 2020, Unpaid Undelivered orders were \$12,420,553, of which \$2,388,787 were Federal and \$ 10,031,766 were non-Federal. As of September 30, 2020, there were no Fiscal Year 2020 Paid Delivered Orders.

For Fiscal Year 2019, Unpaid Undelivered Orders were \$16,582,115, of which \$3,331,937 were Federal and \$13,250,178 were non-Federal. As of September 30, 2019, there were no Fiscal Year 2019 Paid Delivered 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.

Reconciliation of Net Operating Cost and Net Budgetary Outlays

	<u>Intragovernmental</u>	<u>With the Public</u>	<u>Total FY 2020</u>
Net Operating Cost (SNC)	\$ 79,867,804	\$ -	\$ 79,867,804
Components of Net Operating Cost Not Part of the Budgetary Outlays			
Property, plant, and equipment depreciation	-	(5,743,370)	(5,743,370)
(Increase)/Decrease in Liabilities not affecting Budget Outlays:			
Accounts payable	(972,867)	312,561	(660,306)
Salaries and benefits	(141,851)	(398,192)	(540,043)
Other liabilities (Unfunded leave, unfunded FECA, actuarial FECA)	596,294	(426,491)	169,803
Other financing sources			
Federal employee retirement benefit costs	(2,259,208)	-	(2,259,208)
Total Components of Net Operating Cost Not Part of the Budget Outlays	(2,777,631)	(6,255,491)	(9,033,123)
Components of the Budget Outlays That Are Not Part of Net Operating Cost			
Acquisition of capital assets	352,760	2,565,598	2,918,358
Total Components of the Budgetary Outlays That Are Not Part of Net Operating Cost	352,760	2,565,598	2,918,358
Other Temporary Timing Differences	-	-	-
Net Outlays	\$ 77,442,933	\$ (3,689,894)	\$ 73,753,039
Related Amounts on the Statement of Budgetary Resources			
Outlays, net (SBR)			73,753,039
Agency Outlays, Net (SBR)			\$ 73,753,039

SECTION III – Other Information

Inspector General's Statement on FEC Management and Performance Challenges



Federal Election Commission
Office of the Inspector General

MEMORANDUM

TO: The Commission

FROM: Christopher Skinner 

SUBJECT: Inspector General (IG) Statement Summarizing the Management and Performance Challenges Facing the Federal Election Commission (FEC) for FY 2021

DATE: November 13, 2020

In accordance with the Reports Consolidation Act of 2000, the Federal Election Commission (*i.e.*, the "FEC" or "Commission") Office of 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.¹ By statute this report is required to be included in the FEC's Agency Financial Report.

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 FEC to achieve its mission objectives. Each challenge area is related to the FEC's mission and reflects continuing vulnerabilities and emerging issues. The FEC OIG identified the top management and performance challenges facing the Commission as the following:

1. Growth of campaign spending
2. Lack of quorum
3. Coronavirus (COVID-19) pandemic
4. Lack of full-time support to Chief Information Officer (CIO) and General Counsel Positions
5. Cybersecurity

¹ The Reports Consolidation Act of 2000 permits agency comment on the IG's statements. Accordingly, we provided senior management a draft of our statement for comment on October 23, 2020.

We hope that continued attention to the management challenges identified in this report will improve the Commission's ability to execute its mission objectives. The FEC OIG encourages the Commission to continue to focus on addressing the management challenges discussed herein. We hope that this report, accompanied by the oversight work we perform throughout the year, assists the Commission in its efforts to improve the effectiveness and efficiency of its programs and operations.

We appreciate the Commission's cooperation throughout the year in addressing the management challenges process. Please contact me if you have any concerns regarding the identified challenges.

cc: Alec Palmer, Staff Director and Chief Information Officer
John Quinlan, Chief Financial Officer
Lisa Stevenson, Acting General Counsel



FEC OIG 2021-11-10



Federal Election Commission
Office of the Inspector General

**Management and
Performance
Challenges Facing the
FEC for Fiscal
Year 2021**

November 13, 2020

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Introduction and Approach

Why do we publish this report?

In accordance with the Reports Consolidation Act of 2000, the Federal Election Commission (*i.e.*, the “FEC” or “Commission”) Office of 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 FEC to achieve its mission objectives. Each challenge area is related to the FEC’s mission and reflects continuing vulnerabilities and emerging issues. The FEC OIG identified the top management and performance challenges facing the Commission as the following:

- Growth of campaign spending
- Lack of quorum
- Coronavirus (COVID-19) pandemic
- Lack of full-time support to Chief Information Officer (CIO) and General Counsel Positions
- Cybersecurity

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 five key management and performance challenges, which are detailed herein.

Management and Performance Challenge: Growth of Campaign Spending

The FEC was established nearly fifty years ago to provide oversight of federal campaign finance. Since then, federal campaign fundraising and spending have increased dramatically, particularly after the U.S. Supreme Court's decision in *Citizens United v. FEC* in 2010. Indeed, total spending on federal election campaigns has increased from \$1.6 billion in 1998 to more than \$10 billion projected for 2020.



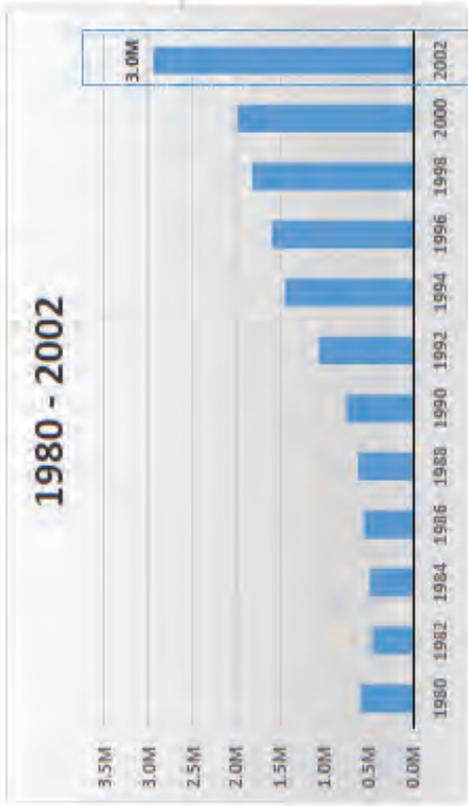
Figure: Total expenditures per election cycle reported to the FEC by all filers. 2020 data is as of June 30, 2020 and projected to exceed \$12 - \$14 billion. The totals in this figure represent aggregate expenditures by all filers, including campaigns, party committees, and political action committees (PACs), obtained from FEC filings.

The total number of transactions subject to FEC regulation and oversight have also dramatically increased, especially in recent years. Transactions include mandatory filings and consist of financial reports filed with the FEC and include summary financial information and itemized details of receipts (including contributions), disbursements (including expenditures) and other financial activity.

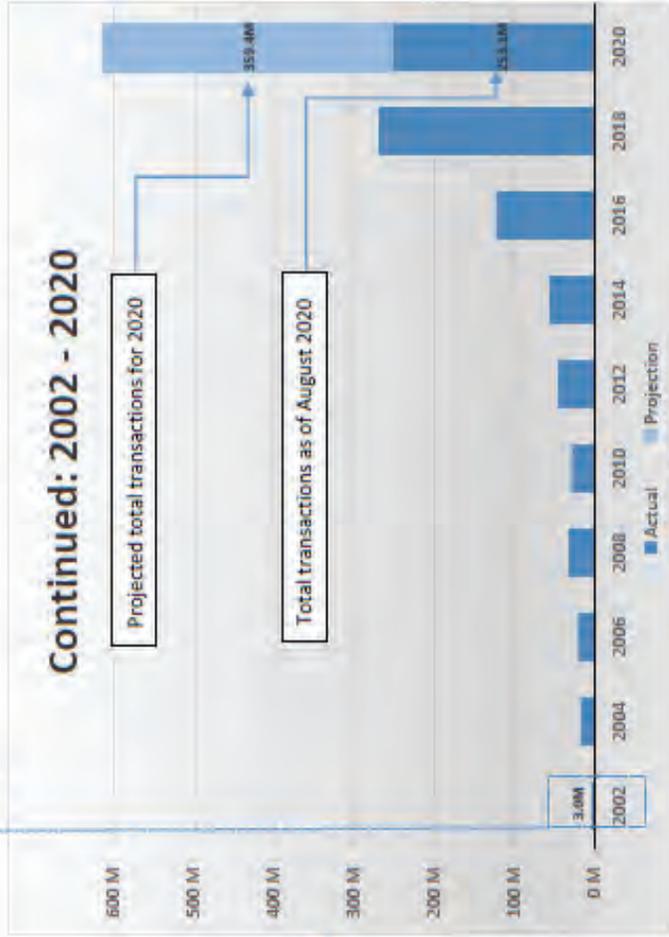
Indeed, as detailed further in the figure below:

- Between 1980 and 2002, the total number of transactions subject to FEC regulation and oversight increased from approximately 602,000 to nearly three million.
- In 2018, the FEC handled nearly 270 million transactions.
- That number is projected to exceed 600 million in 2020.

FEC Total Transactions (1980 – 2020)



Between 1980 and 2002, the total number of transactions subject to FEC regulation and oversight increased from approximately 602,000 to nearly three million.



By 2018, the FEC handled nearly 270 million transactions. That number is projected to exceed 600 million in 2020.

Despite dramatic increases in campaign expenditures and the number of transactions subject to FEC regulation and oversight, the Commission's budget has remained largely static. Since 2008, the FEC's budget has increased by an average of only 0.66% per year. Those increases have not kept up with inflation, which has averaged approximately 1.6% per year since 2008.

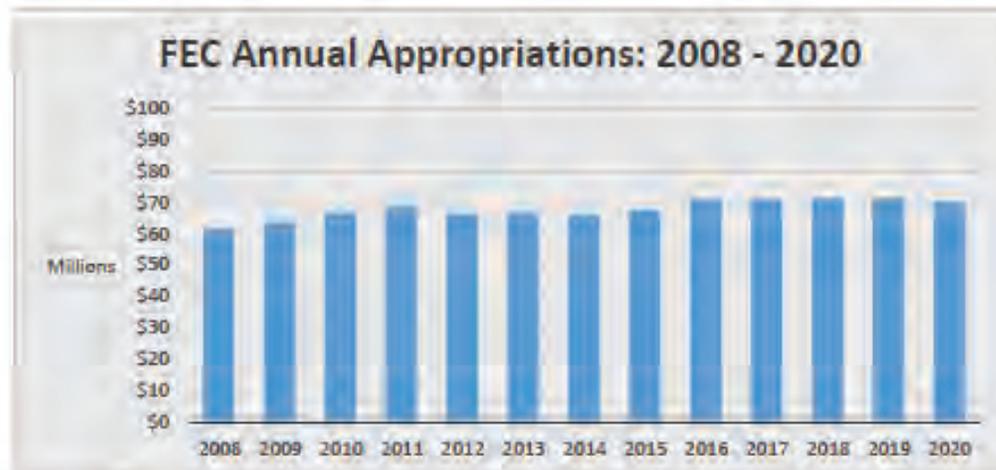


Figure: Annual congressional budget appropriations to the FEC, as reported in Congressional budget justifications.

In addition, the nature of federal campaigns has evolved in recent years. Online fundraising, the influence of dark money, and potential foreign electoral influence will continue to place further strain on the FEC's ability to provide oversight of federal campaigns. As such, absent additional resources, the FEC faces challenges in successfully regulating campaign finance with its current funding, which has essentially remained the same over the past thirteen years or more.

Management and Performance Challenge: Lack of Quorum

A significant management and performance challenge for FY 2021 resides with the July 2020 announcement of the resignation of Commissioner Caroline Hunter, leaving the FEC without a four-member quorum. The Commission is required to be composed of six commissioners, appointed by the President, with no more than three members affiliated with the same political party.¹ Furthermore, 52 U.S.C. § 30106 requires the affirmative vote of four members to act on certain matters. The FEC has lacked a quorum for all but 29 days in FY 2020. Since its inception, the FEC has lacked a quorum on three occasions: a six-month period in 2008, from September 2019 to May 2020, and from July 4, 2020, to the present.

The lack of a quorum prevents the Commission from among other things, issuing decisions on pending enforcement actions, opening investigations, and issuing advisory opinions. This concern also prominently directly and indirectly impacts agency programs and procedures.

¹ See 52 U.S.C. § 30106.

Commission Directive 10, Section I sets forth the rules of procedure to be followed when the Commission has fewer than four sitting members and includes a list of matters on which the Commission may still act. These include notices of filing dates, non-filer notices, debt settlement plans, administrative terminations, and appeals under the Freedom of Information and Privacy Acts.

While the *Federal Election Campaign Act of 1971*, as amended (FECA), requires an affirmative vote by four Commissioners to make decisions in many areas, including regulations, advisory opinions, audit matters and enforcement, the Commission remains open for business. Staff continues to further the agency's vital mission of administering the nation's campaign finance laws.

The OIG understands that this management challenge is beyond the control of the Commission; but we would be remiss if we fail to acknowledge the lack of a quorum is an ongoing significant management challenge.

Management and Performance Challenge: COVID-19 Pandemic

The ongoing COVID-19 pandemic poses many management and performance challenges to the Commission. Most notably, it has forced the FEC, and many other agencies, to operate in a remote status since March 2020.

Fortunately, much of the Commission's business is being accomplished remotely. One critical mission area the pandemic has affected relates to the submission and acceptance of campaign finance complaints. By law, all complaints must be made in writing and must provide the full name and address of the person filing the complaint.² Complaints must be signed, sworn, and notarized, meaning that the notary's certificate must state that the complaint was "signed and sworn to before me" or must indicate that the complainant affirmed the complaint "under penalty of perjury." Currently, the FEC is processing mail on an intermittent basis until it resumes normal mail operations and as a result, the Commission has requested that anyone who wishes to file a complaint with Office of General Counsel (OGC) Enforcement, do so by mail and send an electronic copy of the complaint via email. In addition, the Commission has encouraged the use of electronic signatures and notarizations where permitted by state law.³

Additionally, due to the intermittent processing of mail, the FEC OIG has experienced delays in responding to hotline complaints delivered via mail. As such, we have posted announcements to our webpage, email, and hotline phone recording that strongly encourages complainants to file all inquiries and/or complaints through the newly-established [FEC OIG Hotline Portal](#).

Management was forced to react to the COVID-19 pandemic and as a result, established a COVID management team to address and act on pandemic-related concerns. A few of those actions include but are not limited to:

² See 52 U.S.C. § 30109(a)(1).

³ Electronically submitted copies of complaints that otherwise appear to be in order are deemed received on the date the copy was electronically received by staff. Complaints that are filed only by mail will be deemed received when actually received by OGC staff, subject to mail processing delays.

- Establishing flexible work schedules and waiving core working hour requirements
- Purchasing and implementing video communication tools
- Providing video conferencing trainings and telework security best practice tips
- Communicating a weekly compilation of guidance and information to assist FEC staff while the agency is under mandatory telework
- Establishing a Phase 1 re-opening quick reference guide
- Establishing Phase I re-opening training for FEC staff members which includes a self-check for COVID form, FEC contact tracing log, and protective personal equipment for staff members entering the office during Phase I
- Mandating face masks in common areas, limiting the number of people in the building, and establishing enhanced cleaning protocols
- Issuing an evacuation order on March 24, 2020 and renewing that order on September 18, 2020 to reduce concerns regarding potential COVID-19 exposure pursuant to OPM's regulations at 5 C.F.R. Part 550, Subpart D
- Tracking the operating status of approximately 25 public school districts in DC, Maryland, and Virginia

In addition, the Commission launched a re-opening survey to staff members in July 2020 in efforts to use employee feedback in conjunction with government regulations to formulate a plan for a phased re-opening approach. The survey received a 90% response rate in which a majority of respondents reported that they would like to continue to remain in a maximum telework state due to COVID-19 concerns and that they can successfully complete work tasks from home. Moreover, half of the respondents reported concerns regarding exposure to COVID-19 with the use of public transportation.

Out of short-term necessity, the Commission has implemented agency-wide procedures in reaction to the COVID-19 pandemic. We identify this as a continued challenge facing the Commission in FY 2021 due to the volatility of the situation and encourage the agency to be proactive in its response strategy in FY 2021 to mitigate potential impacts to mission requirements.

Management and Performance Challenge: Lack of Full-Time Chief Information Officer (CIO) and General Counsel Positions

Currently, the senior leadership roles of the Staff Director and CIO are occupied by the same individual and have been since August 2011. Information technology is ever-evolving, which affects all government agencies and without a fully dedicated CIO to focus on technological issues to ensure resources are properly allocated and adequate processes are in place for the protection and safeguards of the agency, the agency will remain at risk.

On April 1, 2019, the Committee on House Administration of the U.S. House of Representatives posed a number of questions to the FEC Commissioners about agency

operations, including if the Commission agreed with concerns that the CIO and Staff Director should have a full-time dedicated person for each position. The Commissioners agreed with this concern and added that the salary limit placed on the Staff Director by the FECA is capped at Level IV of the Executive Schedule. This statutory requirement provides that the Staff Director supervises personnel at the GS-15 and Senior Level pay scales, whom often have higher salaries than the Staff Director. Once the Commission promoted the CIO to the Staff Director, the Commission allowed him to continue to serve as the CIO and be compensated at that level rather than take a pay cut.

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 and inhibit the agency to effectively and efficiently meet 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.

The Committee on House Administration of the U.S. House of Representatives similarly inquired as to why the position of General Counsel had not been permanently filled. In response, the Commission identified that the FECA requires the General Counsel to be paid at Level V of the Executive Schedule and that this limitation can make difficult to attract and retain good talent. Similar to the Staff Director position, the General Counsel supervises personnel at the GS-15 and Senior Level pay scales, which often provide higher salaries than level V of the Executive Schedule.

Management previously reported that the Commission adopted legislative recommendations in 2018, 2017, 2016, 2015, 2014, 2013 and 2011 that 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.

Filling the CIO and General Counsel Positions with full-time incumbents would help ensure the FEC is effectively and efficiently supporting its overall mission objectives. Assigning acting personnel to two essential leadership positions on a long-term basis is not an efficient solution. Conversely, due to the lack of a quorum, the Commissioners have opted not to approve the selections of GS-15 and Senior Level positions. Based on the foregoing and upon renewal of a quorum, we encourage the agency to hire or appoint someone to carry out the agency CIO and General Counsel duties on a full-time basis.

Management and Performance Challenge: Cybersecurity

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 discloses campaign finance data to the public and as a result, encounters large volumes of webpage traffic from stakeholders and members of the 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.

Cybersecurity encompasses attempts from criminals and adversaries to obtain sensitive information linked to government networks, personal identifiable information, intellectual property and other sensitive data. Cyber threats may arise from phishing, ransomware or other malware attacks and can infiltrate any level within an organization.

Since August 2019, the Commission engaged in three joint efforts with the Department of Homeland Security (DHS) to improve its overall security posture:

1. The Commission encountered an issue where an employee was terminated for downloading prohibitive software on their FEC-issued laptop. This incident prompted FEC management to partner with the DHS Cybersecurity and Infrastructure Security Agency (CISA) Hunt and Incident Response Team (HIRT) in August 2019, to perform an assessment to determine if an intrusion occurred within the FEC's network environment.

2. In January 2020, at the request of the OIG, the CISA HIRT performed a Risk and Vulnerability Assessment (RVA) of the FEC network which included a penetration test and phishing assessment.

3. In May 2020, CISA performed a Security Assessment Review (SAR) to assist with identifying additional cyber risks.

As a result of the foregoing reviews, the DHS teams identified potential risks and provided recommendations to improve the FEC's overall security posture. Additionally, in efforts to help safeguard the Commission's network and instill a culture of cybersecurity, all staff, including contractors, are required to successfully complete recurring information security training.

It is essential that the Commission continue to maintain the integrity and availability of its information as it looks to modernize its systems, which include moving towards a cloud environment. In large part, the agency has been reactive to cybersecurity concerns and we encourage the Commission to be proactive in establishing a cybersecurity framework and strengthen internal controls to mitigate external threats from entering the FEC's network.

Conclusion

The OIG presents these challenges as previous and evolving issues facing the FEC in FY 2021. The challenges serve as impending barriers to promote efficiency and effectiveness in the management of FEC operations and procedures. The OIG remains dedicated to independent oversight to ensure accountability of the mission of the FEC.

FY 2020 Management Challenges not Included in FY 2021 Report

Management Challenge: Address outstanding OIG audit recommendations

The OIG and FEC have made tremendous progress in resolving 29 recommendations since August 2018. The OIG acknowledges that from November 2018 to August 2019, the FEC OIG lacked an Inspector General and Deputy Inspector General and, as a result, could not approve actions requested to close outstanding recommendations.

Currently, there are 21 outstanding audit recommendations that date back to 2010. The agency should continue to devote attention to address the outstanding recommendations in efforts to ensure adequate internal controls are identified, documented, and implemented. The OIG will continue to promote ongoing and recurring discussions with management to help focus attention to current processes and recommend specific actions to close out remaining recommendations.

Management Challenge: Address results from the annual FEVS and 2016 Root Causes of Low Employee Morale Study

In the OPM Human Capital Management Evaluation report of the FEC dated August 13, 2019, OPM identified that FEC lacks a formal process for using FEVS results to inform management decisions and focus improvement efforts. The OIG believes that implementing a formal process to address employee concerns would further benefit the agency and increase employee morale. The agency continues to make strides in improving agency morale through the improvements in management training, professional development, and increased communications. Management should continue to develop and implement action plans to address these concerns.

The Commission stated that it planned to launch an outreach program to learn from staff how best to build on the successes reported in the 2019 FEVS and how to address those employee issues that continue to require management's focused attention. The OIG acknowledges that this effort will take time and we plan to revisit this concern at a later date.



Federal Election Commission
Office *of the* Inspector General

REPORT FRAUD, WASTE, & ABUSE

OIG Hotline Portal
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* Also accessible via:
<http://www.fec.gov/oig>

OIG Hotline Phone
202-694-1015



* Available from 9:00 a.m. to 5:00 p.m.
Eastern Standard Time, Monday through
Friday, excluding federal holidays.

Or you may call toll free at 1-800-424-9530 (press 0; then dial 1015). You may also file a complaint by completing the Hotline Complaint Form (<http://www.fec.gov/oig>) and mailing it to: 1050 First Street, N.E., Suite 1010, Washington DC 20463.

Individuals including FEC and FEC contractor employees are encouraged to alert the OIG to fraud, waste, abuse, and mismanagement of agency programs and operations. Individuals who contact the OIG can remain anonymous. However, persons who report allegations are encouraged to provide their contact information in the event additional questions arise as the OIG evaluates the allegations. Allegations with limited details or merit may be held in abeyance until further specific details are reported or obtained. Pursuant to the Inspector General Act of 1978, as amended, the Inspector General will not disclose the identity of an individual who provides information without the consent of that individual, unless the Inspector General determines that such disclosure is unavoidable during the course of an investigation. To learn more about the OIG, visit our Website at: <http://www.fec.gov/oig>.

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 ¹⁶

November 13, 2020

In its Statement on the FEC's Management and Performance Challenges ("Statement"), the Office of the Inspector General ("OIG") identified five overarching management and performance challenges for inclusion in the FEC's Agency Financial Report for Fiscal Year 2020. Management's response to the OIG statement is below.

Challenge 1: Growth of Campaign Spending

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 explosive growth in the number of campaign finance transactions reported to the FEC each election cycle. 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 API.

In large part in response to projected increases in campaign finance activity, in FY 2015 the FEC proactively launched a comprehensive, multi-year IT Modernization project. Since this project was launched, the Commission has requested and received as part of its annual budget funds to support this crucial effort. As part of the IT Modernization project, the FEC redesigned its website and migrated both the website and the campaign finance database that supports it to a cloud environment. In addition to providing faster and easier access to campaign finance data hosted in the cloud, this migration allowed the agency to shut down one of its physical data centers during FY 2018, realizing attendant costs associated with maintaining that data center. During FY 2020, the FEC made additional database enhancements to improve database performance and control costs of hosting and maintaining the database.

To continue to mitigate an anticipated steep rise in future cost from maintaining physical data centers, the FEC is pursuing a modernization plan which requires investment now and over the next several years to continue cloud migration and realize improvements in its IT processes. During FY 2020, the FEC conducted a study to determine how best to migrate other appropriate systems and databases to the cloud, allowing the agency to realize greater efficiency and performance in future years. The FEC will continue to implement the recommendations of this study during FY 2022 with the goal of reducing costs in future years while maintaining high levels of service to the public.

In addition, the FEC is currently working to upgrade the agency's eFiling platform. In order to reduce the financial burden of compliance for committees and other individuals and groups who must file with the FEC under the *Federal Election Campaign Act* (the Act), the FEC provides access to free filing software. In FY 2017, the Commission published a study of its current eFiling

¹⁶ Management consists of the agency's senior managers, including the Staff Director, General Counsel and Chief Financial Officer.

platform, including a survey of the existing functionality of the FEC’s free filing software and an in-depth investigation of needs expressed by filers.¹⁷ The FEC will rely on the recommendations of this study to improve its eFiling platform to allow greater operating system flexibility for users when generating filings for submission to the Commission and increase the consistency and accuracy of reporting. The FEC’s new eFiling platform is expected to improve the process for validating filings prior to acceptance and generate modern file outputs that will provide for more flexibility in accessing data. The FEC had expected to begin the implementation phase of this project during FY 2021. However, COVID-19 related delays in onboarding new staff and contractors subsequently contributed to delays in the FEC’s efforts to complete the development phase of the eFiling platform during FY 2020. As a result, the FEC expects to begin partial implementation of the new eFiling system during FY 2021.

Campaign finance reports filed on paper remain the most costly filings for the FEC because they must be manually received and processed by FEC staff. The Commission has also taken steps to reduce this burden on the agency. Most notably, in 2000 the Commission began requesting through Legislative Recommendations that the Act be amended to make the FEC the point of entry for Senate filings. This amendment, which became law in September 2018, had the effect of subjecting Senate filers to the FEC’s mandatory electronic filing rules, which require committees to file electronically if they receive contributions or make expenditures in excess of \$50,000 in a calendar year or expect to do so. In 2018, the Commission recommended legislative changes to require reports of electioneering communications to be filed electronically with the Commission, rather than on paper and to increase and index for inflation certain registration and reporting thresholds. If enacted, each of these recommendations would have an effect of further reducing the number of paper filings received by the FEC.¹⁸

Challenge 2: Lack of a quorum

The Commission was without a quorum of four Commissioners for approximately 11 months during FY 2020, and began FY 2021 without a quorum.¹⁹ However, the President has nominated Allen Dickerson, Shana M. Broussard and Sean J. Cooksey to become FEC Commissioners, and those nominations are currently pending before the Senate.

Management agrees that the present lack of a quorum presents challenges for agency staff and managers. In the agency’s Enterprise Risk Profile, management has listed the potential lack of quorum as a very high risk since FY 2018.

While the Act requires an affirmative vote by four Commissioners to make decisions in many areas, including regulations, advisory opinions, audit matters and enforcement, the Commission remains open for business. Staff continues to further the agency’s vital mission of administering the nation’s campaign finance laws.

¹⁷ Available at <https://fec.gov/about/reports-about-fec/agency-operations/e-filing-study-2016/>.

¹⁸ The Commission lacked the necessary quorum of Commissioners to approve Legislative Recommendations in 2019.

¹⁹ The FEC began FY 2020 without a quorum. A quorum was restored on June 5, 2020, when Commissioner James E. “Trey” Trainor, III, was sworn in. The FEC again began working without a quorum on July 3, 2020, with the departure of Commissioner Caroline C. Hunter.

The requirements of the Act and Commission regulations remain in effect, and political committees and other filers must continue to disclose their campaign finance activity to the Commission on the regular [schedule](#). FEC staff remains ready to help committees and the public understand and comply with the law, process and review committee reports including issuing Requests for Additional Information, and provide public access to campaign finance data. While the Commission cannot take action on many legal matters, staff continues to litigate ongoing court cases, process new enforcement complaints and responses, conduct audits that were previously authorized by the Commission, and investigate matters previously authorized by the Commission.

Commission Directive 10, Section L sets forth the rules of procedure to be followed when the Commission has fewer than four sitting members and includes a list of matters on which the Commission may still act. These include notices of filing dates, non-filer notices, debt settlement plans, administrative terminations, and appeals under the Freedom of Information and Privacy Acts. The Commission intends to comply with the statutory requirement set forth at 52 USC §30106(d) that the Commission meet at least once each month.

During the brief period the Commission had a quorum in FY2020, the Commission closed 33 MURs, 39 ADR matters, and 206 Admin Fine matters, totaling \$842,413 in administrative fines and penalties assessed. Management continues to prioritize matters so that the Commission can quickly act on pending matters upon the resumption of quorum and is prepared for the restoration of a quorum at any time.

Challenge 3: COVID-19 Pandemic

As noted, Senior Management moved swiftly and efficiently to implement policies and workplace flexibilities to respond to the COVID-19 pandemic. Prior to the official declaration of a pandemic, Senior Management met and held informational sessions with staff to strongly encourage employees to telework. Immediately, a management team was assembled to stay up-to-date on changing circumstances and make recommendations to the Commission. With the strong backing of Chair Hunter, Vice Chair Walther, and Commissioner Weintraub, the COVID-19 management team quickly moved to implement workplace flexibilities, including enhanced telework, maxi-flex hours and administrative leave for employees with childcare and elder care responsibilities. The COVID-19 management team holds weekly briefings with the Commission to keep them abreast of the situation and ensure they are aware of any changes to the building operating status and impacts to our employees. Management's number one priority continues to be the safety of all FEC staff. The COVID-19 management team also began a weekly update email that is sent every Friday to alert staff to upcoming events, new guidance and general reminders. The weekly update has been well received by staff and managers.

Management continues to closely monitor the situation and is pleased to report that nearly all FEC functions have been seamlessly transitioned to the telework environment and that agency performance goals are continuing to be met. Senior Management and the Commission have been holding virtual meet and greet sessions for new FEC staff and also held an all employee town hall in September. Senior Leaders are regularly holding division meetings to check on staff and hear any concerns they may raise.

The Administrative Services Division has been procuring personal protective equipment (PPE) for staff going in to the building as part of Phase I operations. ASD has also installed signage regarding social distancing and shared space guidelines throughout the building in preparation of the return of FEC staff in the future. ASD continues to communicate with building management about the status of FEC operations.

Members of the COVID-19 management team have been participating in government-wide groups including: OMB small agency group, OPM CHCO/HR Director group, General Counsel Exchange, and the CIO/CISO council.

Challenge 4: Lack of full-time Chief Information Officer (CIO) and General Counsel Positions

Management fully supports the Commission's ongoing efforts to fill vacant leadership positions and to ensure senior leadership roles are filled by separate individuals. The Commission specifically addressed this issue in response to questions posed by the Committee on House Administration. In its May 1, 2019, response, the Commission stated:

All of the Commissioners agree that the Commission should have separate individuals filling the senior leadership roles of Staff Director and CIO. As is true of the General Counsel position, the salary limit placed on the Staff Director by the FECA (Level IV of the Executive Schedule) means that the Staff Director supervises personnel whose positions, on the GS-15 and Senior Level pay scales, often provide higher salaries than the statutory salary for the Staff Director. The Commission has long recommended that Congress de-link the Staff Director's salary from the Executive Schedule.

When the Commission promoted our CIO to Staff Director, we allowed him to continue to serve as CIO and be compensated at that level rather than absorb a substantial pay cut in order to accept the promotion. This has allowed the Commission to maintain consistency in its most senior staff leadership.²⁰

Because of the challenges in maintaining consistent senior leadership, the Commission unanimously adopted a Legislative Recommendation in 2018, 2017, 2016, 2015, 2014, 2013 and 2011 that urges Congress to address this situation. Specifically, the Commission recommends that Congress remove the statutory bar on the FEC's participation in the Senior Executive Service (SES) Program and remove the statutory references to the Executive Schedule in FECA with respect to the General Counsel and Staff Director, so that those two positions 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 would 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 filling the current vacancy or when further vacancies arise.

²⁰ <https://www.fec.gov/about/committee-on-house-administration-april-2019-questions/>

Due to a lack of quorum and in accordance with Commission Directive 10, the Commission is unable to approve the selections of GS-15 and Senior Level positions. During the brief restoration of a quorum in FY2020, the Commission approved the permanent selection of the Director of Human Resources. The Personnel Committee has approved the following positions to be filled on a permanent basis: Assistant General Counsel for Litigation and Assistant General Counsel for Enforcement. Upon resumption of quorum, management anticipates the hiring process for these and other SL and GS-15 positions to be quickly completed.

Management continues to work with the Personnel and Finance Committees for approval to post and hire qualified individuals for all of the identified positions. As the senior leadership vacancies are filled, the Personnel and Finance Committees will closely scrutinize any remaining vacancies. In light of the current federal budget conditions, prudent management requires that close examination is paid to the potential impact of each vacancy that is approved to hire. The Personnel and Finance Committees are committed to analyzing the current FEC workforce and looking ahead to fiscal years in order to avoid having to implement a reduction in force.

Challenge 5: Cybersecurity

The FEC secures the agency's infrastructure and prevents intrusions through a holistic cybersecurity program led by the Chief Information Security Officer (CISO). The FEC's overarching strategy to protect the security and privacy of its systems and network begins with the adoption of the National Institute of Standards and Technology (NIST) Risk Management Framework and NIST IT security control "best practices." NIST Special Publication 800-37 2 – Risk Management Framework for Information Systems and Organizations," identifies seven steps essential to the successful execution of the risk management framework (RMF):

- **Prepare** to execute the RMF from an organization- and a system-level perspective by establishing a context and priorities for managing security and privacy risk.
- **Categorize** the system and the information processed, stored, and transmitted by the system based on an analysis of the impact of loss.
- **Select** an initial set of controls for the system and tailor the controls as needed to reduce risk to an acceptable level based on an assessment of risk.
- **Implement** the controls and describe how the controls are employed within the system and its environment of operation.
- **Assess** the controls to determine if the controls are implemented correctly, operating as intended, and producing the desired outcomes with respect to satisfying the security and privacy requirements.
- **Authorize** the system or common controls based on a determination that the risk to organizational operations and assets, individuals, other organizations, and the Nation is acceptable.
- **Monitor** the system and the associated controls on an ongoing basis to include assessing control effectiveness, documenting changes to the system and environment of operation, conducting risk assessments and impact analyses, and reporting the security and privacy posture of the system.

The FEC currently employs this continuous monitoring and ongoing authorization approach to assess the risk to systems and networks and allow the authorizing official to determine whether that risk is acceptable. Three of the FEC's major systems follow the formal Authority to Operate (ATO) process: the General Support System, the FEC website and the FEC's eFiling system.

Robust Security Architecture

As a result of, and in support of, the RMF, the FEC's Office of the Chief Information Officer (OCIO) continues to take steps to implement a robust security architecture. For example, in partnership with the Department of Homeland Security (DHS), Massachusetts Institute of Technology and the Pacific Northwest National Laboratory, 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 the remaining residual risks.

As identified in OIG's description of this management challenge, the FEC has proactively pursued three 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 and the applications for continuous diagnostics and mitigation, and implementing 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 Continuous Diagnostics and Mitigation (CDM) program. OCIO Security has also introduced the use of secure baselining standards, such as the use of DISA 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 a new 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. Hosting systems and data in a cloud environment allows the FEC to utilize our cloud service providers' significant resources that are dedicated to maintaining the highest level of security. In addition, by utilizing the cloud service providers' robust disaster recovery solutions, the FEC eliminates the need to maintain physical disaster recovery sites, which are costly to maintain and secure. The FEC has already completed the migration of its largest database, the campaign finance database, and its website to a cloud environment. The FEC's new website, launched in May 2017, uses FedRAMP Authorized cloud services, which provides a standardized approach to security assessment, authorization, and continuous monitoring for cloud products and services.

Building a Cybersecurity Culture

At the same time, the FEC is working to build a cybersecurity culture among its employees. 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 actors—internal or external—from compromising the FEC's systems and networks. 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 implemented additional trainings for all staff to help staff recognize and avoid social engineering attempts.

Building Capacity in the Information Security Office

The FEC has also taken steps to build capacity in its Information Security Office. In April 2019, the FEC entered into a partnership with the Partnership for Public Service to participate in the Cybersecurity Talent Initiative. This selective, cross-sector program, which provides loan forgiveness to top bachelors and masters graduates around the United States in exchange for at least two-years' service at a Federal agency, addresses the immediate cybersecurity talent deficiency faced by Federal government agencies by attracting service-minded individuals to government who might not otherwise have applied. During FY2020, the FEC completed the selection process and brought on board an individual for a two-year cybersecurity fellowship.

Management Challenge: Addressing outstanding OIG audit recommendations

Management looks forward to continuing to work with the Office of Inspector General to close out the remaining audit recommendations. During FY 2020, significant progress was made on addressing several recommendations, particularly related to the FEC's Disaster Recovery Plan and Continuity of Operations Plans, Audit of the FEC's Office of Human Resources, Audit of the Privacy Act and Audit of the FEC Telework Program. Management would like to note that some of the remaining items are dependent on creating or updating existing FEC policies which will require a Commission vote after a quorum has been restored.

Management looks forward to continued discussions with the OIG on the remaining recommendations. Management believes these discussions will help focus attention on current processes and allow OIG to identify recommendations that align with current high-risk areas.

Management Challenge: Address results from the annual FEVS and 2016 Root Causes of Low Employee Morale Study

The Commission understands that the success of its programs depends upon the skills and commitment of its staff. During FY 2020, management undertook several initiatives and programs to engage staff, especially during the COVID-19 pandemic.

FY 2020 saw the launch of the FEC Engagement Steering Committee. This group is led by Co-Coordinator Rhiannon Magruder and Greg Baker who have been participating in a small-agency Engagement Collective through the Partnership for Public Service. The Senior Leaders received briefings on employee engagement throughout FY 2020 and have instituted several suggestions, including division Zoom calls and the employee town hall.

In collaboration with the agency's EEO Office, the Diversity and Inclusion Council was launched with the support of all Senior Leaders and the Commission. As part of the Diversity and Inclusion Council, employee resource groups will be established. Senior management has also worked to ensure that hiring panels are diverse throughout the agency.

During FY 2020 and the first quarter of FY 2021, management has continued to partner with OPM to bring in trainings for both managers and staff. The following courses were provided: Engaging & Encouraging Employees, Coaching & Mentoring for Excellence, Dealing with Poor Performance & Conduct, Supervisory Fundamentals and Leadership Skills for Non-Supervisors. Upcoming courses open to all FEC staff include Resilience in Leadership and Emotional Intelligence. Additionally, many staff members have taken part in free virtual webinars and courses through OPM and the Employee Assistance Program.

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.²¹ 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 2020, 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*. For FY 2020, the FEC considered risk factors that may significantly increase the risk of improper payments as outlined in OMB Memorandum M-18-20, *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 at or above the threshold level set by OMB.

Recapture of Improper Payments Reporting

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

IPIA (as amended by PIIA) Reporting Details	Agency Response
Risk Assessment	Reviewed as noted above.
Statistical Sampling	Not Applicable.*
Corrective Actions	Not Applicable.*
Improper Payment Reporting	Not Applicable.*
Recapture of Improper Payments Reporting	Not Applicable.*
Accountability	Not Applicable.*
Agency information systems and other infrastructure	Not Applicable.*
Barriers	Not Applicable.*
*The FEC does not have programs or activities that are susceptible to significant improper payments.	

²¹ At this time, OMB has not issued PIIA implementation guidance and agencies are advised to continue to follow Memorandum M-18-20, *Transmittal of Appendix C to OMB Circular No. A-123, Requirements for Payment Integrity Improvement* until implementation guidance is published.

Fraud Reduction Report

The Fraud Reduction and Data Analytics Act of 2015 (Pub. L. 114-186, 31 USC 3321) requires agencies to report on their progress in implementing financial and administrative controls to identify and assess fraud risks. In FY 2019, the FEC assessed its progress and can report that it has adequate financial and administrative controls in place to identify and assess fraud risks as well as monitor and mitigate the potential for fraud and improper payments.

The agency uses OMB Circular A-123, as revised, GAO-14-704G, *The Standards for Internal Control in the Federal Government* (the Green Book), GAO-15-593SP, *A Framework for Managing Fraud Risks in Federal Programs*, and the Association of Government Accountant's *Fraud Prevention Tool* as a guide for its fraud reduction efforts.

In FY 2017, the agency created the Senior Management Council (SMC) to monitor and manage risk to the agency achieving its operational, strategic, and compliance objectives. The SMC updates the agency Risk Profile on an annual basis, facilitates the detection and remediation of fraud risk throughout the agency, and addresses potential fraud issues during its quarterly meetings. The agency Risk Profile can be found in Section I, Management's Discussion and Analysis, under Risk Identification and Mitigation. In addition, the SMC oversees the agency's annual Internal Control Review (ICR) process which is based on GAO's Green Book. As part of the ICR, each program office conducts an evaluation of fraud risk, documents controls in place, and reports on mitigating activities.

The FEC uses a risk-based approach to design and implement controls. It has controls in place to address identified fraud risks related to payroll, procurement, information technology and security, asset safeguards, and purchase and travel cards. The agency does not issue beneficiary payments or grants.

Financial and administrative controls in place to monitor and mitigate potential fraud include documented system authorization procedures, manager oversight and approval of transactions, and separation of duties. Financial activity is tracked, monitored, and reviewed or reconciled on a periodic (monthly or quarterly) basis. The agency utilizes resources such as Treasury's Do Not Pay system, GSA's System for Award Management (SAM), and the Internal Revenue Service's Taxpayer Identification Number (TIN) Match Program to facilitate data analytics. To safeguard assets, the FEC has tracking processes in place, conducts a biannual physical inventory count, and maintains equipment in a secure location. The FEC has comprehensive controls in place to address information technology and security fraud risks to include automated system controls.

Payroll is the largest expenditure for the agency, with salaries and benefits constituting seventy (70) percent of the FEC's costs. Payroll is tested for improper payments under the *Improper Payments Elimination and Recovery Act (IPERA)*. Improper Payments Act reporting details can be found in Section III of the AFR under Other Information.

Finally, the FEC works closely with the OIG to identify and address fraud. The FEC had no reported instances of fraud in FY 2020.

Reporting on Internal Controls 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 2019 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 controls 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
- Office of the Inspector General

Detailed assurances from each of these assessable units were provided to the FEC's OIG and independent auditor 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 2020.

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)	20,288
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)	43,280
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)	70,973
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)	6,069
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)	15,173
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)	8,135
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 149+ (.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
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