

FEDERAL ELECTION COMMISSION

OFFICE OF INSPECTOR GENERAL



FINAL REPORT

**Quality Assessment Audit of the Federal Election
Commission's Audit Division**

September 2012

ASSIGNMENT No. OIG-12-01

OFFICE OF INSPECTOR GENERAL

TABLE OF CONTENTS

<u>DESCRIPTION</u>	<u>PAGE</u>
Executive Summary	1
Background	4
Objectives, Scope and Methodology	6
Audit Findings and Recommendations	
A. No formal adoption of professional auditing standards	8
B. Lack of a formal quality control program	10
C. Proper evidence to support supervisory review not consistently documented in workpapers	13
D. Roles of RAD campaign finance analysts that participate on audits is not adequately defined or properly documented	15
E. Controls to ensure adherence with continuing professional education (CPE) best practices needs to be improved	16
Conclusion	20
Attachment 1: Summary of Audit Findings and Recommendations and Management's Response	21

EXECUTIVE SUMMARY

The Federal Election Commission (FEC) was established to oversee campaign financing and is responsible for administering and enforcing *the Federal Election Campaign Act of 1971, as amended* (“FECA”). The FEC is also responsible for enforcing all applicable federal election statutes and regulations. At the FEC, the Audit Division (AD) has been authorized by the Commission and delegated the responsibility for conducting audits of federal political committees (“Committees”) that raise and expend funds to aid in the federal election of public officials. In addition, the AD is responsible for evaluating the Presidential primary candidates’ applications for matching funds and determining the amount of contributions that may be matched with federal funds.

As required by Title 26 of the Internal Revenue Code, including relevant sections of the Presidential Election Campaign Fund Act, (26 U.S.C. §§9007(a) and 9008(g)) and the Presidential Primary Matching Payment Account Act (26 U.S.C. § 9038(a)), all Presidential campaigns and political party Presidential nominating convention committees, *that accept public funds must be* audited, as well as, host city convention committees. Pursuant to the FECA chapter of Title 2, United States Code (specifically 2 U.S.C. §438(b)), all political campaign committees for the U.S. House of Representatives and U.S. Senate seats, all Presidential committees (*that do not receive public funds*), and all other committees including political action committees (PACs) and national state party committees are **subject to** an audit and/or field investigations.

The purpose of this audit was to ensure the FEC Audit Division is performing quality audits, and to recommend improvements when warranted. Specifically, the primary objective was to determine if the FEC AD’s quality control system is suitably designed and consistently complied with to the extent necessary to reasonably ensure compliance with professional audit standards and internal policies. A system of quality control encompasses an audit department’s organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of conforming to applicable professional auditing standards (best practices). This audit was intended to model a peer review, which is a type of quality assessment that is commonly conducted on Federal audit offices. As such, we utilized guidelines for peer reviews established by *The Council of the Inspectors General on Integrity and Efficiency (CIGIE)*. CIGIE is an independent entity within the executive branch. CIGIE’s mandated mission is to address integrity, economy, and effectiveness issues that transcend individual Government agencies and to increase the professionalism and effectiveness of personnel in the offices of Inspectors General.

When assessing AD’s system of quality control, the Office of Inspector General (OIG) considered auditing best practices based on applicable standards included in Generally Accepted Government Auditing Standards (GAGAS) as well as *Generally Accepted Auditing Standards (GAAS)* established by the AICPA (American Institute of Certified Public Accountants)¹.

OIG was informed by AD Management that “they have not formally adopted GAGAS, but that they generally follow aspects of GAGAS where applicable.” OIG notes that we are not aware of

¹ For financial audits, GAGAS incorporate the AICPA’s field work and reporting standards and the related statements on auditing standards (SAS) unless specifically excluded or modified by GAGAS.

any requirements that FEC Audit Division's audits must adhere to GAGAS, GAAS, or any other professional auditing standards. However, in order to determine if the AD is producing quality government audits, the OIG used GAGAS as the standard in which to evaluate the AD against.

Based on these best practices, audit organizations should design a system of quality control that provides reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects.

In performing our audit, OIG interviewed Audit Division personnel and obtained an understanding of the nature of AD's organization, and the design of AD's system of quality control to assess the risks implicit in AD's audit function. In addition, the OIG selected a sample of seven Committee audits and tested compliance with the AD's internal quality control policies and procedures, and auditing best practices, to the extent we considered appropriate.

Based on our assessment of the Audit Division's quality control policies and procedures, AD's system of quality control needs to be enhanced to provide reasonable assurance of performing and reporting in conformity with applicable government auditing best practices. Although AD's quality control system needs to be improved and formally documented, the OIG found no indications that the audit testing actually performed by the AD was insufficient to support the findings and conclusions included in the audit reports sampled. In fact, the AD has a very vigorous audit planning (pre-audit) process that enables testing to concentrate on the most significant (material) and high-risk audit areas. Also, AD develops standard detailed audit programs that list every audit test step to be completed by the audit team for each type of audit (Title 26 or Title 2). However, the Audit Division needs to enhance and formalize its existing quality control process to ensure adequate evidence is consistently maintained to support audit work performed, and that workpaper review procedures by someone other than the person who performed the work is properly documented. This documentation ensures that audits consistently comply with professional audit standards and internal policies and procedures.

OIG concludes that the weaknesses related to the design of AD's quality control system are partially attributed to the fact that the FEC Audit Division is not legally required to adhere to the professional standards for government auditors. Although AD's management states that AD generally follows GAGAS, AD has not formally adopted applicable professional auditing best practices nor established a formal written quality control framework. Nevertheless, the OIG concludes the quality of the AD's audits is acceptable and generally consistent with professional auditing standards. OIG notes that the Audit Division is currently working on enhancing and formalizing a quality control framework which will be applied to all phases of the audit process.

In addition to this report, we will issue a management letter that sets forth issues that were not considered significant to be reported as findings in this report, but could enhance the effectiveness of AD's system of quality control.

The OIG has identified five findings related to Audit Division quality control deficiencies which are summarized below:

- No formal adoption of professional auditing standards;
- Lack of a formal quality control program;
- Proper evidence to support supervisory review not consistently documented in work papers;
- The role of the Reports Analysis Division Campaign Finance Analysts (RAD analysts) that participate on audits is not adequately defined or properly documented; and
- Controls to ensure compliance with continuing professional education (CPE) audit best practices needs to be improved.

OIG believes that by formally adopting applicable professional auditing standards and implementing a formalized quality control program, reduces the risk that the Audit Division may conduct audits that may be deficient, or lacking in competence, integrity, objectivity, and independence.

The OIG has proposed 11 recommendations to AD to assist in addressing the identified findings and issues listed above. Management has agreed to implement 5 of the 11 recommendations, partially agrees with 3 recommendations, and disagrees with 3 recommendations.

The Office of Inspector General conducted this performance audit in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

BACKGROUND

The Federal Election Commission (FEC) was established to oversee campaign financing and is responsible for administering and enforcing *the Federal Election Campaign Act of 1971, as amended* (“FECA”). The FEC is also responsible for enforcing all applicable federal election statutes and regulations. At the FEC, the Audit Division (AD) has been authorized by the Commission and delegated the responsibility for conducting audits of federal political committees (“Committees”). In addition, the AD is responsible for evaluating the Presidential primary candidates’ applications for matching funds and determining the amount of contributions that may be matched with federal funds.

As required by the Presidential Election Campaign Fund Act, “Title 26” (26 U.S.C. §§9007(a); 9038(a)), all Presidential campaigns and political party Presidential nominating convention committees *that accept public funds* **must be** audited, as well as, host city convention committees. Pursuant to the FECA chapter of Title 2, United States Code (specifically 2 U.S.C. § 438(b)), all political campaign committees for the U.S. House of Representatives and U.S. Senate seats, all Presidential committees (*that do not receive public funds*), and all other committees including political action committees (PACs) and national and state party committees are **subject to** an audit and/or field investigation.

The objective of all AD committee audits is to determine whether the committee complied with the limitations, prohibitions, disclosures, and other requirements in accordance with applicable federal election statutes and regulations (Title 26 and Title 2 audits). In addition, for Title 26 audits only, the objective is to also determine whether the candidate and/or committee used the public funds in accordance with the applicable statutes and federal election regulations.

The FEC Audit Division performs three types of audits:

Title 26 Audits – audits of publicly financed committees and convention host committees.

Title 2-Authorized Committee Audits – audits of committees authorized by either Presidential candidates who are not financed with public funds, or by U. S. Congressional candidates. These committees are subject to Title 2 regulations.

Title 2-Unauthorized Committee Audits – audits of committees not authorized by a candidate including party committees, political action committees (PACs), and separate segregated funds (PACs connected to labor organizations, corporations, trade/membership associations, or cooperatives).

The above audits cover a committee’s campaign finance activity for the respective election cycle. For each election audit cycle, the AD updates its existing audit programs which are subsequently approved by the Commission. The audit programs detail the audit review process and procedures that will be completed by the audit team. For Title 2 audits, compliance threshold requirements are established and approved by the Commission at the beginning of every election audit cycle. These thresholds are utilized by the AD to evaluate whether committees have substantially complied with FECA. Committees are required to file reports as per the FECA.

Report Analysis Division (RAD) campaign finance analysts review all reports to track compliance with election laws and to ensure that the public record provides a full and accurate representation of campaign finance activity. If the FEC's review identifies an apparent violation or raises questions about the information disclosed on a report, there are several tools available to address report issues including referring the committee to AD for an audit. Any Title 2 committee to be audited must be approved by the Commission.

As of November 22, 2011 (the official start date of this OIG audit), the AD completed and the Commission approved 34 audit reports for the 2008 election cycle (the audit cycle under review by OIG). All audit projects and most audit workpapers are maintained in TeamMate (TM), which is an electronic audit workpaper and project management system.

At the beginning of the 2008 election audit cycle, there were five (5) audit teams which were each headed by an audit manager. The audit managers report to the Assistant Staff Director for the Audit Division. During the period under review, the Assistant Staff Director for Audit retired in July 2011 and a new Assistant Staff Director for Audit was named in October 2011. As a result of this and other employee turnover, the AD was in transition during the audit period under review and was restructured from five (5) audit teams to four (4). Additionally, AD was implementing newly adopted Commission procedures for the audit report process which included increased opportunities for audited committees to respond to potential findings.

OBJECTIVES, SCOPE AND METHODOLOGY

Objectives

The Office of Inspector General's (OIG) objectives for conducting this quality assessment audit of the Federal Election Commission's (FEC) Audit Division (AD) were to:

1. Determine if the AD has a quality control system that is suitably designed to reasonably ensure compliance with professional audit standards (best practices) and internal policies;
2. Verify that quality controls and internal policies and procedures are consistently followed and operating effectively; and
3. Identify areas for improvements and provide guidance and recommendations based on best practices.

Scope

During the OIG's audit planning phase, we interviewed AD management to obtain an understanding of the nature of the AD organization and the audit process used to assign, plan and conduct committee audits. Based on this initial assessment, OIG decided to select a sample of each audit category (Title 26, authorized, unauthorized committees) from the most recent election cycle. Therefore, the period under review for this OIG audit included the 2008 election cycle (the most recent election cycle with issued reports at the time this OIG audit commenced). The total population for the period under review was 34 audit reports. The OIG excluded seven audits from the population as they were related to reports issued prior to the implementation of a new audit reporting process (*Directive 70*) which occurred in the middle of the 2008 election audit cycle. This exclusion resulted in an audit population of 27 audit reports. We selected a non-statistical sample of seven audits (three Title 26 audits, two authorized audits, and two unauthorized audits) which represents 26% of the population. The OIG utilized a computerized random sample generator to make the selections for five of the seven audits. The other two audits were selected using judgmental sampling. This was necessary to ensure the sample represented a reasonable cross-section of the different types of audits conducted and of the different audit teams.

The majority of the audits selected for testing were performed by the AD between March 2008 and October 2011. We tested compliance with the AD's system of quality control to the extent we considered appropriate.

OIG Audit Methodology

To accomplish the audit objectives, OIG performed the following:

- Reviewed the Audit Division's audit programs and other supplemental guidance for conducting audits.
- Gained an understanding of the AD organization's internal quality assurance program through interviews and conducting a walkthrough of the AD audit process.

- Assessed the design of the AD's overall internal quality control system and benchmarked against best practices to determine if improvements should be recommended.
- Interviewed various levels of the professional AD staff to assess their understanding of, and compliance with, relevant quality control policies and procedures.
- Examined the audit workpapers and audit reports of committee audits selected for testing to ensure that auditors consistently comply with internal policies and procedures; adhere to applicable auditing best practices; audit conclusions are properly supported with sufficient and competent evidence; and supervisory review of audits is timely throughout the conduct of audits. These reviews were documented utilizing a checklist based on GAGAS to determine if the AD has implemented best practices (where applicable).
- Verified if audit staff is adhering to auditing best practices related to continuing professional education (CPE) by obtaining adequate training to ensure audits are conducted in an effective and efficient manner and in accordance with professional auditing standards and best practices.

AUDIT FINDINGS AND RECOMMENDATIONS

A. The Audit Division has not formally adopted professional auditing standards

The Audit Division (AD) has not formally adopted *Government Auditing Standards (GAS)* or any other professional auditing standards framework which would allow the AD to formally assess whether their audits are conducted in accordance with best practices for government audits. Professional auditing standards are intended to ensure that audits have gone through a rigorous process to ensure efficiency and quality.

Based on OIG's assessment of the Audit Division's audit process, we determined the following:

- AD's audits are based on the requirements outlined in the federal election statutes and regulations.
- AD has not formally adopted a professional auditing standards framework to ensure audit standards are followed.
- The AD does not perform an internal annual assessment of audit operations or an external review process (peer review) to periodically assess if the AD is conducting audits in accordance with auditing best practices to perform quality government audits.

According to the Government Accountability Office, the *Government Auditing Standards (GAS)*, commonly referred to as generally accepted government auditing standards, provides a framework for performing high-quality audit work with competence, integrity, objectivity, and independence. GAS 1.04 (Purpose and Applicability of GAGAS) states, - "*Many auditors and audit organizations also voluntarily choose to perform their work in accordance with GAGAS....*"

Based on our research of *GAS* (the "Yellow Book") and Federal election statutes and regulations, it does not appear that the FEC Audit Division is legally required to follow *GAS* or any other professional auditing standard. OIG notes that although the AD has not volunteered to formally adopt *GAS*, AD stated that they "generally" follow *GAS*. However, the aspects of *GAS* that are followed are not formally documented. OIG also acknowledges that the level of audit evidence required by *GAS* to provide assurance of compliance is not consistent in all respects with the compliance requirements contained in the Federal election statutes and regulations.

Not establishing and documenting a set of auditing standards and implementing monitoring controls to evaluate compliance with those standards may lead to a perception that FEC audits do not provide the same assurance of audits performed by other government audits that follow *GAS*.

Recommendation #1

The Audit Division should formally adopt a set of professional auditing standards which should incorporate professional auditing best practices (where feasible). The auditing standards adopted should be reflected in AD's documented policies and procedures to govern their process for conducting audits.

Management Response:

Audit Division Management (Management) agrees with this recommendation. While AD is not legally required to follow GAGAS or any other professional auditing standard, the Division does generally follow GAGAS standards to ensure efficient and quality audits. Management will document enhancements to the quality control process in the FEC Audit Division Quality Standards (to be completed September 2012). This document will provide a framework to further ensure the appropriate quality control measures are executed in the Division.

OIG Comment:

The OIG believes management's response will address this recommendation once fully implemented. The OIG looks forward to reviewing the quality control framework to ensure that it fully addresses auditing best practices included in this recommendation.

Recommendation #2

The Audit Division should consider establishing a policy to have an independent external review (peer review) every three years in accordance with best practices. If adopted, this requirement should be incorporated with their written professional auditing standards framework.

Management Response:

Management disagrees with this recommendation. The Commission is legislatively mandated to audit politically sensitive materials for which there is no comparable external peer. Management is committed to monitoring the current quality control procedures (referencing and management review) and will institute an internal sampling and review of audits periodically to ensure compliance with the FEC Audit Division Quality Standards. The review will be conducted by Division staff (Auditors or Audit Managers) with no previous direct involvement with the audit.

OIG Comment:

OIG notes that external peer reviews are a best practice. In the absence of an external peer review process by the AD, the FEC OIG will consider periodically reviewing the AD.

Recommendation #3

Require audit staff to obtain training on applicable professional auditing standards to adequately apply the standards during audit engagements.

Management Response:

Management agrees with this recommendation and as such, all audit staff have been and will continue to be appropriately and adequately trained on applicable professional auditing standards to ensure efficient and quality audits. Training of the audit staff on professional auditing standards will continue.

OIG Comment:

During our interviews of AD staff members, several employees felt that they have not received sufficient training on auditing standards that they are required to follow. OIG notes that while most AD staff members are seasoned auditors, the AD has hired less experienced auditors outside the FEC over the past few years. OIG believes that management's commitment to continuous training will fully address this recommendation.

B. Lack of a formal quality control program

The Audit Division does not have a sufficient and documented system of quality control consistent with professional auditing standards (best practices). The OIG notes that while the AD does utilize standard audit programs, which include some quality control elements, there is no official documented quality control framework in place that ensures all audits have been conducted in accordance with internal requirements and/or best practices. For example, the AD can enhance its quality control program by initiating the following:

- a formal documented policy document to govern their overall audit process;
- an official quality control review process for each audit to ensure all required audit steps were properly completed;
- “close out” procedures in TeamMate (electronic audit workpaper and project management system) to evidence the audit has been properly completed;
- an annual internal assessment to monitor if quality controls are adequately designed and operating effectively;
- a policy that requires audit staff and/or specialists (RAD campaign finance analysts) to certify that they are independent and free from external impairments prior to conducting an audit; and
- a formal policy that states all staff involved in the audit process must adhere to audit CPE best practices.

A system of quality control is necessary to provide an audit department with reasonable assurance that the department and its personnel comply with professional auditing standards (best practices). According to *Government Auditing Standards* (GAS 3.53), “An audit organization’s system of quality control encompasses the audit organization’s leadership, emphasis on performing high quality work, and the organization’s policies and procedures designed to provide reasonable assurance of complying with professional standards and applicable legal and regulatory requirements.”

A system of quality control should address:

- (a) Leadership responsibilities;
- (b) Independence, legal, and ethical requirements;
- (c) Initiation, acceptance, and continuance of audit engagement;
- (d) Human Resources;
- (e) Audit engagement performance, documentation, and reporting; and
- (f) Monitoring of quality.

By enhancing its quality controls, the AD reduces the risk that audits are not performed in compliance with internal policies and procedures and/or do not meet professional auditing standards. A formal monitoring process would also enhance control procedures and maintain the overall quality of the audits.

Recommendation #4

The Audit Division should document and implement a quality control framework. The quality control framework should address best practices of professional auditing standards (where applicable) including the following elements:

- independence requirements [for both audit staff and specialists (RAD campaign finance analysts)];
- documented policies and procedures;
- proper communication of policies and procedures to staff involved in the audits; and
- adequate workpaper standards.

Management Response:

Management partially agrees with this recommendation. Currently, several longstanding procedures provide sufficient quality control. The Audit Programs, approved by the Commission, contain directed procedures and quality control elements to govern the audit process. Peer auditors not associated with the subject audit are required to review and reference each audit report to ensure accuracy and compliance with the laws, regulations, and the Audit Program. This has been the practice in the Division for at least 20 years. In addition, Management also reviews all workpapers and audit reports for accuracy and compliance with laws, regulations and the Audit Program. As directed by Commission procedures, the General Counsel's office also analyzes reports for correct and consistent application of the law. Management will enhance the documentation of quality control policies and procedures in the FEC Audit Division Quality Standards (to be completed September 2012).

Management does not agree with the recommendation related to independence of auditors and RAD campaign finance analysts. Independence is required for all FEC employees and the Commissioners. Formal policies are thus already in place to ensure proper independence, including for all FEC audit staff (including RAD campaign finance analysts). Like all other Federal executive branch employees, FEC audit staff (including RAD campaign finance analysts assisting with audits) is subject to the conflict of interest provisions of Title 18, United States Code and the regulations of the Office of Government Ethics. Thus, like all employees, auditors may not participate personally or substantially in an audit that will have a direct and predictable effect on their own financial interests or those of a person whose financial interests are imputed to them. 18 U.S.C. § 208. FEC auditors audit only political committees, not commercial (or any other) types of entities. Also, like all employees, auditors must not participate personally or substantially in audits in which they have a "covered relationship" (as defined in OGE regulations) with the audited committee, or in which they have a "covered relationship" with a person who represents the committee. 5 C.F.R. § 2635.501(a). They may also consult with the Ethics Office if they are concerned that circumstances not specifically covered by statute or regulation would cause a reasonable person with knowledge of the pertinent facts to question their impartiality. 5 C.F.R. § 2635.502(a)(2).

OIG Comment:

OIG notes that while the AD does currently have some standard quality control practices, we found that audits conducted during the period under this OIG review these practices were not consistently operating effectively.

The OIG is encouraged by management's plans to enhance the documentation of AD's quality control policies and procedures and we look forward to reviewing the enhancements once implemented.

Although management has generally agreed with the OIG's recommendation to implement a quality control framework, AD does not agree that it is necessary to incorporate independence requirements. The OIG believes that while there are policies and regulations related to independence for all FEC staff, auditors are held to a higher standard and it is an audit best practice to specifically and explicitly address external impairments related to audits and those conducting audits. Therefore, the OIG still believes that FEC and AD's policies and practices related to independence, conflict of interest/external impairments should be reflected in the quality control framework. Only if all requirements are revised according to the new standard procedures will this recommendation be fully implemented.

Recommendation #5

The Audit Division should document and implement standard quality control processes and procedures. To ensure quality controls are properly implemented and operating effectively, AD Management should incorporate the following controls:

- create a quality control checklist to be completed at the end of each audit to ensure audit workpapers properly reflect that the audit was performed in accordance to the quality control framework adopted;
- require audit staff and applicable specialists (RAD campaign finance analysts) to certify they are free from external impairments related to the committees they are auditing; and
- implement a process to ensure all Teammate audit projects are finalized to ensure all workpapers have been properly prepared and reviewed.

Management Response:

Management partially agrees with this recommendation. Currently, several longstanding procedures provide sufficient quality control consistent with professional auditing standards. Management will enhance the documentation of quality control policies and procedures in the FEC Audit Division Quality Standards (to be completed September 2012).

See response in Recommendation #4.

OIG Comment:

The OIG believes management's planned actions will address this recommendation. However, OIG notes that it is imperative that sufficient monitoring controls (e.g. quality control checklist, finalizing projects in TeamMate) are implemented to ensure the process is consistently operating effectively. The OIG looks forward to reviewing the quality control policies and procedures to ensure it fully addresses this recommendation.

Recommendation #6

The Audit Division should conduct a formalized annual internal quality control assessment of the AD's overall audit process to include the attributes identified in *GAS 3.53 (a-f)* (see page 10) or another audit best practice to monitor the effectiveness and efficiency of the audit process. If improvements are noted during the assessment, management should develop and document the recommendation(s) and corrective action(s) to address the issues noted.

Management Response:

Management agrees with this recommendation. Management is committed to monitoring the current quality control procedures (referencing and management review) and, in accordance with FEC Audit Division Quality Standards, which will be completed in September 2012, a periodic internal quality control assessment will be conducted.

OIG Comment:

The OIG believes management's planned actions will address this recommendation once fully implemented.

C. Proper evidence to support supervisory review not consistently documented in workpapers

The Audit Division does not consistently follow internal procedures or standard professional auditing best practices to evidence proper review and supervision of audits conducted. Based on the 7 audits reviewed, OIG found the following:

- In 5 of 7 audits, all audit workpapers were not always signed off in the TeamMate (TM) electronic audit software system by the audit manager to evidence that the applicable audit steps had been completed. In one of these audits, the WP data was included in the audit report.
- In 2 of 7 audits, the reason for not performing audit steps was not documented and signed off by the audit manager.
- In 3 of 7 audits, TM project files contain workpapers that were only signed by the team lead and thus there is no evidence to support whether the team lead was the preparer or the reviewer. As a result, OIG cannot determine if these workpapers were properly reviewed.
- In 4 of 7 audits, coaching notes (reviewer comments) were not subsequently signed-off (cleared) by the audit manager/reviewer to evidence that the coaching note was properly addressed by the audit staff.

There are several factors that the OIG believes contributed to these findings. First, the AD does not have a formal internal policy (*see recommendation # 1*) that clearly documents the roles of the audit manager; lead auditor; and audit staff. Also, AD lacks standard workpaper review procedures to include how to sufficiently address and document reviewer comments. In addition, there is no standard control procedure to ensure that all workpapers that are cross referenced to the audit report have been reviewed and signed-off by the audit manager or a designated reviewer. As a result, audit teams are not consistent in their application of audit workpaper documentation and review procedures.

Secondly, OIG recognizes that AD team members normally perform audit testing offsite at the respective committees' offices and may not have the ability to access TM, and therefore must prepare workpapers outside of the TM project file. In these instances, the lead auditor is responsible for uploading all workpaper files in TM (which records the workpaper as "prepared" by the lead auditor).

The AD does not have a standard policy or process in place that requires the workpaper “preparer” (the auditor who actually performed the audit testing) to subsequently go into TM to sign-off on the workpaper as “preparer,” or requires the “preparer” to sign-off directly on the actual workpaper prior to uploading the file into TM.

According to GAGAS Section 4.20, “...auditors also should document before the audit report is issued, evidence of supervisory review of the work performed that supports findings, conclusions, and recommendations contained in the audit report.” Also, the AICPA AU Section 339.18 states, “...In documenting the nature, timing, and extent of audit procedures performed, the auditor should record: a. Who performed the audit work and the date such work was completed; and b. Who reviewed specific audit documentation and the date of such review...”

Not consistently maintaining adequate documentation to evidence proper review and supervision of audits increases the risk that audit program steps may not properly be completed, audits may not be properly supervised, and/or audit work may not be reviewed in accordance with professional standards and/or internal policies and procedures. In addition, the lack of adequate evidence of review increases the risk that an independent reviewer outside the AD may question the quality of the audits conducted.

Recommendation #7

Audit Division Management should implement standard control procedures for documenting proper review and supervision of each audit and incorporate into the overall quality control framework. The review and supervision process should include the following:

- the audit managers should be required to sign-off on all program audit steps included in TM;
- workpapers (WPs) should be properly signed-off by the person who prepared the WPs;
- once workpapers are uploaded in TM, they should be properly signed-off as “reviewed” by a higher level AD staff member (i.e. lead auditor/audit manager);
- coaching notes (reviewer comments) should be required to be sufficiently addressed and cleared with the proper sign-offs in TM; and
- AD management (or designee) should ensure that workpapers that support data included in the audit report and subsequently cross referenced to the report have been properly signed-off by the reviewer before the audit report indexing procedure is completed.

Management Response:

Management agrees with this recommendation. Management is in the process of formalizing written review and supervision procedures that will follow the FEC Audit Division Quality Standards. Although at the time of the OIG audit, standards were not formally documented, procedures were and remain in place for the proper review and supervision of all audits. Additionally, all workpapers, findings and reports are, and continue to be, thoroughly reviewed by Management. The Division provided training to all staff on workpaper sign-off procedures and report referencing guidelines in November 2011 and in March 2012. In addition, written procedures on how to document the applicable audit steps in TeamMate were sent to the staff in March of 2012 to reinforce consistency of review across the Division.

OIG Comment:

The OIG believes management's planned actions will address this recommendation once fully implemented. The OIG looks forward to reviewing the review and supervision procedures to ensure they fully address this recommendation.

D. The role of the RAD campaign finance analysts that participate on audits is not adequately defined or properly documented

The Audit Division has a policy related to assigning RAD campaign finance analysts to audits (*RAD Audit Fieldwork Guide*); however, this document does not adequately explain the role of the RAD campaign finance analyst in an audit, and does not document what audit procedures during fieldwork the RAD campaign finance analyst is responsible for completing and/or what specific task(s) they are not allowed to perform. In addition, the work performed by RAD campaign finance analysts was not consistently documented in the audit workpapers for the audits sampled by the OIG. As a result, the OIG was unable to determine with reasonable assurance whether certain audit testing was or was not completed by RAD campaign finance analysts, and whether the RAD campaign finance analysts possessed the proper auditing experience and/or qualifications to perform such testing.

According to professional auditing best practices, there are restrictions related to how specialists can be used on audit engagements. If specialists are being utilized for their expertise only, they are not required to comply with professional auditing standards. However, according to GAGAS section 4.19a, "... *Internal specialists who are part of the audit organization and perform as a member of the audit team should comply with GAGAS, including the CPE requirements.*"

If the roles of the RAD campaign finance analysts are not defined, and the work performed by the RAD campaign finance analyst is not reflected in the workpapers, the risk that the RAD campaign finance analysts' work could expand beyond their area of expertise and negatively impact the quality of the audit is increased.

Recommendation #8

- a. The Audit Division should revise the *RAD Audit Fieldwork Guide* to include clearly defined roles of the RAD campaign finance analyst during an audit, a list of the types of audit procedures the analyst can be assigned, and what specific audit steps are prohibited from being performed by RAD campaign finance analysts.
- b. The Audit Division should document the work performed by RAD campaign finance analysts for each audit and RAD campaign finance analysts should be required to sign-off on any audit workpapers prepared before they are uploaded in TM (as RAD campaign finance analysts are not provided access to TM).

Management Response:

Management does not agree with these recommendations. Management already has a written policy that outlines the role for the campaign finance analyst that is suitable to their expertise. According to that policy, fieldwork assignments for a RAD campaign finance analyst are made by the Chief Compliance Officer after discussion with the Assistant Staff Directors of both RAD and Audit.

Management will incorporate the RAD audit fieldwork guide into the FEC Audit Division Quality Standards. Prior to fieldwork, an Audit Testing Plan is developed and discussed with Management. Assignment of audit reviews to be performed by Auditors and RAD campaign finance analyst is part of that planning discussion and is included in the Audit Program. All work performed by a RAD campaign finance analyst is reviewed by the Lead Auditor and Audit Manager to ensure proper utilization of this specialist's work throughout the process.

AD will require the campaign finance analyst to sign-off on their completed work.

OIG Comment:

OIG does not agree that the current written policy (*RAD Audit Fieldwork Guide*) adequately explains the role of the RAD campaign finance analyst. The OIG would suggest that management consider revising the *RAD Audit Fieldwork Guide* before incorporating controls related to the work of RAD campaign finance analysts into the applicable quality control documents. The OIG looks forward to reviewing the quality control standards to ensure that it fully addresses this recommendation.

In addition, based on audits reviewed by OIG, there was not consistent evidence to support that the work of RAD campaign finance analysts was always properly documented and reviewed. The OIG believes management's decision to require campaign finance analysts to sign-off on work completed will improve controls to ensure work of a RAD campaign finance analyst is properly documented.

E. Continuing professional education (CPE) best practices needs to be improved

Continuing professional education (CPE) requirements are designed to ensure audit staff members continue to maintain and enhance their knowledge, skills, and abilities in conducting, leading, and performing audits. It is important that audit organizations promote professional competency through continuous training to ensure quality audits are performed. The AD currently requires all staff members involved in the audit process to obtain 80 hours of CPEs during each two year reporting cycle; this is consistent with audit best practices. The AD has a very detailed CPE tracking and reporting system which is designed to adequately consolidate and monitor CPEs earned for each staff member.

To determine if AD's process for tracking and monitoring CPEs obtained to meet the government auditing standard (best practice) is operating effectively, OIG selected a sample of 23 audit staff from the CPE tracking report. For each employee, we compared all CPE credits included on the tracking report to supporting documentation and assessed whether the training received is eligible for CPE under the GAO guidance.

Based on our audit testing, we found that sufficient documentation to evidence CPE's earned is not always maintained and that controls could be improved to make the process more efficient and effective. The results of our detailed testing are as follows:

- There were 22 instances where CPEs listed on the AD CPE tracking report did not contain proper support to substantiate that the auditor actually attended the training, or adequate evidence was missing from the applicable employee training file (only the email request to attend training from the Audit staff was included in the file; or the training approval package does not include evidence that substantiates the staff member actually attended the training).

- 3 staff members (two audit managers and one audit staff) did not obtain the 80 hour CPE requirement during the 2 year audit period under review.
- AD staff was given CPE credits for WebTa (FEC's Time and Attendance system) training which OIG believes does not meet the CPE eligibility requirements per GAGAS.

According to GAO *Guidance on GAGAS Requirements for Continuing Professional Education* (GAO-05-568G), section 33, "... GAGAS require that audit organizations ensure that auditors meet the CPE requirements... Individual auditors, in conjunction with the audit organization, are responsible for monitoring their own progress towards meeting the CPE requirements and maintaining evidence of their attendance at or completion of CPE programs..."

The AD does not have a formal documented policy that communicates to its staff the internal requirements to ensure compliance with GAGAS CPE guidance. In addition, management informed the OIG after the completion of our CPE testing that the former Deputy Staff Director of Audit² did not require audit managers to obtain the full 80 hours of CPE training. Therefore, during the audit period under review, only the audit staff members who actually performed audit testing were required to comply with the 80 hour CPE requirement. OIG notes that this does not adhere with professional auditing best practices, which also require anyone who leads audits, or reviews/signs-off on audit workpapers and reports to obtain 80 hours of CPE training.

The lack of having a formal CPE policy that is documented and communicated to all employees increases the risk that auditors may not be obtaining adequate CPEs in compliance with auditing best practices.

Recommendation #9

The AD should formally document their policies and procedures relating to current CPE requirements. The policy should include the following:

- the AD has adopted the 80 hour CPE requirements in accordance with GAO's *Guidance on GAGAS Requirements for Continuing Professional Education*;
- each AD staff member is responsible for providing adequate documentation to support CPEs earned; and
- guidelines that explain and give examples of what type of training is eligible and ineligible to meet GAGAS CPE requirements.

Management Response:

Management agrees with this recommendation. Management will formalize CPE policies in the FEC Audit Division Quality Standards, which will include the existing 80 hour CPE requirement, guidelines that explain what type of training is eligible and instructions on maintaining documentation on the server.

OIG Comment:

The OIG believes management's planned actions will address this recommendation once fully implemented. The OIG looks forward to reviewing the CPE policy to ensure it fully addresses this recommendation.

² The audits reviewed by the OIG during the 2008 election cycle were under the purview of the Audit Division's former Assistant Staff Director for the Audit Division.

Recommendation #10

The AD should strengthen control procedures to ensure AD CPE requirements are met by implementing the following:

- the audit manager responsible for tracking and monitoring CPEs should be required to verify that all training included in the CPE tracking report is supported by proper evidence in accordance with GAO's *Guidance on GAGAS Requirements for Continuing Professional Education*, Section 36: Maintaining Documentation; and
- when training request forms are the only source of evidence, AD staff should be required to sign the training form in the appropriate section to certify that they actually attended and/or completed the training.

Management Response:

Management disagrees with this recommendation. All CPE classes were properly documented through spreadsheets, emails, attendance sheets, certificates, etc. *GAGAS Requirements for Continuing Professional Education*, Supplemental Guidance section 35, (Maintaining Documentation) states that the audit organization records, should include the name, title, dates attended, and the number of CPE hours earned. Management tracks all the aforementioned information. Additionally, Management provided OIG copies of all certificates for all but four instances.

OIG Comment:

Based on the results of our audit testing, we conclude that for the period reviewed, the AD's CPE monitoring procedures were not operating effectively to ensure compliance with GAGAS CPE best practices, nor do they support management's response. Prior to performing CPE testing, AD stated that one audit manager was responsible for tracking and reporting CPE credits for the entire AD staff.

OIG was provided individual folders for each audit staff member and one folder for group training that contained supporting documentation for CPE credits earned. Audit testing revealed the following:

- The files were not complete with all the supporting documentation related to CPE credits included in the tracking report. Additional training documentation that was not located in the CPE files during our initial testing was provided to the OIG on three separate occasions in an attempt to clear the noted exceptions.
- The OIG noted instances where the supporting documentation was not sufficient to evidence that auditors actually attended the training (e.g. travel request, registration confirmation only).

Contrary to management's response above, OIG's subsequent reviews still resulted in 22 instances of missing or inadequate CPE documentation for 11 of the AD's staff members. Failure to implement this recommendation or apply alternate monitoring procedures will continue to increase the risk of not having adequate controls related to ensuring audit staff complies with CPE best practices.

Recommendation #11

The Audit Division should establish training guidelines to ensure employees are obtaining proper training (e.g. training on applicable auditing standards, audit related topics). Individual training needs and types of training planned to meet GAGAS CPE requirements should be incorporated into each auditor's annual performance plan.

Management Response:

Management partially agrees with this recommendation. Management will formalize CPE policies in the FEC Audit Division Quality Standards. Although Management has been tracking this information, it will enhance this procedure by making it available to the staff in real time. Additionally, Management will develop a core curriculum for the staff and will meet annually to discuss.

OIG Comment:

The OIG believes management's planned actions will address this recommendation once fully implemented. We still believe that incorporating training to satisfy CPE best practices into individual auditors' annual performance plans is a best practice that should be considered by management. The OIG looks forward to reviewing the CPE policy to ensure it fully addresses this recommendation.

CONCLUSION

Based on this quality assessment audit by the OIG, except for the audit findings contained in this report, we conclude the Audit Division's system of quality control in effect during the 2008 election audit cycle has been suitably designed to provide reasonable assurance of performing and reporting in conformity with applicable professional auditing best practices. However, some enhancements are needed to ensure that the system of quality control is properly documented, communicated, and applied. This OIG opinion is primarily due to the fact that the AD has not formally documented a suitable professional auditing standards framework to provide stakeholders and the public with assurance that the Audit Division has consistently performed due professional care as government auditors to produce quality audits. By formally adopting professional auditing standards, the AD decreases the perception and risk that the Audit Division could potentially conduct audits that may be deficient, and may be lacking in competence, integrity, objectivity, and independence. OIG notes that the AD is currently working on documenting and implementing a quality control framework to be applied to all phases of the audit process. Even though FEC audits (Title 2 & Title 26) are not legally required to comply with generally accepted government auditing standards (GAGAS), OIG strongly encourages Management to formally incorporate the best practices of GAGAS where feasible and applicable, to ensure and measure the quality of audits performed are aligned with audits performed government-wide.

The OIG notes that based on our review of the Audit Division's workpapers sampled, audit evidence and testing actually performed was sufficient to support the conclusions and findings included in the sampled audit reports. However, the OIG concludes that AD's workpaper documentation needs to be improved to ensure proper review and supervision is consistently documented to support audits conducted by the AD, are in compliance with internal policies and procedures, and that they also meet, to the extent possible, professional auditing best practices.

The OIG believes implementation of the recommendations provided in this audit report will assist the Audit Division in establishing and strengthening adequate controls, effective monitoring processes, and maintain the quality of audits conducted.

Summary of Audit Findings and Recommendations and Management’s Response			
Finding	Recommendation	Management Response	OIG Comment
A. The Audit Division has not formally adopted professional auditing standards	1. Formally adopt a set of professional auditing standards which should incorporate professional auditing best practices (where feasible). The auditing standards adopted should be reflected in AD’s documented policies and procedures to govern their process for conducting audits.	<i>“Agree with recommendation: While AD is not legally required to follow GAGAS or any other professional auditing standard, the Division does generally follow GAGAS standards to ensure efficient and quality audits. Management will document enhancements to the quality control process in the FEC Audit Division Quality Standards (to be completed September 2012). This document will provide a framework to further ensure the appropriate quality control measures are executed in the Division.”</i>	The OIG believes management’s response will address this recommendation once fully implemented. The OIG looks forward to reviewing the quality control framework to ensure that it fully addresses auditing best practices included in this recommendation.
	2. Consider establishing a policy to have an independent external review (peer review) every three years in accordance with best practices. If adopted, this requirement should be incorporated with their written professional auditing standards framework.	<i>“Disagree with recommendation: The Commission is legislatively mandated to audit politically sensitive materials for which there is no comparable external peer. Management is committed to monitoring the current quality control procedures (referencing and management review) and will institute an internal sampling and review of audits periodically to ensure compliance with the FEC Audit Division Quality Standards. The review will be conducted by Division staff (Auditors or Audit Managers) with no previous direct involvement with the audit.”</i>	OIG notes that external peer reviews are a best practice. In the absence of an external peer review process by the AD, the FEC OIG will consider periodically reviewing the AD.
	3. Require audit staff to obtain training on applicable professional auditing standards to adequately apply the standards during audit engagements.	<i>“Agree with recommendation: As such, all audit staff have been and will continue to be appropriately and adequately trained on applicable professional auditing standards to ensure efficient and quality audits. Training of the audit staff on professional auditing standards will continue.”</i>	During our interviews of AD staff members, several employees felt that they have not received sufficient training on auditing standards that they are required to follow. OIG believes that management’s commitment to continuous training will fully address this recommendation.

Summary of Audit Findings and Recommendations and Management’s Response			
Finding	Recommendation	Management Response	OIG Comment
B. Lack of a formal quality control program	<p>4. Document and implement a quality control framework. The quality control framework should address best practices of professional auditing standards (where applicable) including the following elements:</p> <ul style="list-style-type: none"> • independence requirements [for both audit staff and specialists (RAD campaign finance analysts)]; • documented policies and procedures; • proper communication of policies and procedures to staff involved in the audits; and • adequate workpaper standards. 	<p><i>“Partially agree with recommendation: Currently, several longstanding procedures provide sufficient quality control. For example, Peer auditors not associated with the subject audit are required to review and reference each audit report to ensure accuracy and compliance with the laws, regulations, and the Audit Program. This has been the practice in the Division for at least 20 years. Management will enhance the documentation of quality control policies and procedures in the FEC Audit Division Quality Standards (to be completed September 2012).</i></p> <p><i>Management does not agree with the recommendation related to independence of auditors and RAD campaign finance analysts. Independence is required for all FEC employees and the Commissioners. Formal policies are thus already in place to ensure proper independence. Also, like all employees, auditors must not participate personally or substantially in audits in which they have a “covered relationship” (as defined in OGE regulations) with the audited committee, or in which they have a “covered relationship” with a person who represents the committee. 5 C.F.R. § 2635.501(a.). ”</i></p> <p>For management's full response, see page 11</p>	<p>Although management has generally agreed with the OIG’s recommendation to implement a quality control framework, AD does not agree that it is necessary to incorporate independence requirements. The OIG notes that it is an audit best practice to specifically and explicitly address external impairments related to audits and those conducting audits. Therefore, the OIG still believes that AD’s policies and practices related to independence/external impairments should be reflected in the quality control framework. Only if all requirements are revised according to the new standard procedures will this recommendation be fully implemented.</p>

Summary of Audit Findings and Recommendations and Management's Response

Finding	Recommendation	Management Response	OIG Comment
	<p>5. Document and implement standard quality control processes and procedures. To ensure quality controls are properly implemented and operating effectively, AD Management should incorporate the following controls:</p> <ul style="list-style-type: none"> • create a quality control checklist to be completed at the end of each audit to ensure audit workpapers properly reflect that the audit was performed in accordance to the quality control framework adopted; • require audit staff and applicable specialists (RAD campaign finance analysts) to certify they are free from external impairments related to the committees they are auditing; and • implement a process to ensure all Teammate audit projects are finalized to ensure all workpapers have been properly prepared and reviewed. 	<p><i>“Partially agree with recommendation: Currently, several longstanding procedures provide sufficient quality control consistent with professional auditing standards. Management will enhance the documentation of quality control policies and procedures in the FEC Audit Division Quality Standards (to be completed September 2012). See response in Recommendation #4 above.”</i></p>	<p>The OIG believes management’s planned actions will address this recommendation. However, OIG notes that it is imperative that sufficient monitoring controls (e.g. quality control checklist, finalizing projects in TeamMate) are implemented to ensure the process is consistently operating effectively. The OIG looks forward to reviewing the quality control policies and procedures to ensure it fully addresses this recommendation.</p>
	<p>6. Conduct a formalized annual internal quality control assessment of the AD’s overall audit process to include the attributes identified in GAS 3.53 (a-f) (see above) or another audit best practice to monitor the effectiveness and efficiency of the audit process. If improvements are noted during the assessment, management should develop and document the recommendation(s) and corrective action(s) to address the issues noted.</p>	<p><i>“Agree with recommendation: Management is committed to monitoring the current quality control procedures (referencing and management review) and, in accordance with FEC Audit Division Quality Standards, which will be completed in September 2012, a periodic internal quality control assessment will be conducted.”</i></p>	<p>The OIG believes management’s response will address this recommendation once fully implemented. The OIG looks forward to reviewing the quality control framework to ensure that it fully addresses auditing best practices included in this recommendation.</p>

Summary of Audit Findings and Recommendations and Management's Response

Finding	Recommendation	Management Response	OIG Comment
<p>C. Proper evidence to support supervisory review not consistently documented in workpapers</p>	<p>7. Implement standard control procedures for documenting proper review and supervision of each audit and incorporate into the overall quality control framework. The review and supervision process should include the following:</p> <ul style="list-style-type: none"> • the audit managers should be required to sign-off on all program audit steps included in TM; • workpapers (WPs) should be properly signed-off by the person who prepared the WPs; • once workpapers are uploaded in TM, they should be properly signed-off as "reviewed" by a higher level AD staff member (i.e. lead auditor/audit manager); • coaching notes (reviewer comments) should be required to be sufficiently addressed and cleared with the proper sign-offs in TM; and • AD management (or designee) should ensure that workpapers that support data included in the audit report and subsequently cross referenced to the report have been properly signed-off by the reviewer before the audit report indexing procedure is completed. 	<p><i>"Agree with recommendation: Management is in the process of formalizing written review and supervision procedures that will follow the FEC Audit Division Quality Standards. Although at the time of the OIG audit, standards were not formally documented, procedures were and remain in place for the proper review and supervision of all audits. Additionally, all workpapers, findings and reports are, and continue to be, thoroughly reviewed by Management. The Division provided training to all staff on workpaper sign-off procedures and report referencing guidelines in November 2011 and in March 2012. In addition, written procedures on how to document the applicable audit steps in TeamMate were sent to the staff in March of 2012 to reinforce consistency of review across the Division."</i></p>	<p>The OIG believes management's planned actions will address this recommendation once fully implemented. The OIG looks forward to reviewing the review and supervision procedures to ensure they fully address this recommendation.</p>

Summary of Audit Findings and Recommendations and Management’s Response

Finding	Recommendation	Management Response	OIG Comment
<p>D. The role of the RAD campaign finance analysts that participate on audits is not adequately defined or properly documented</p>	<p>8. The AD should:</p> <ul style="list-style-type: none"> • revise the <i>RAD Audit Fieldwork Guide</i> to include clearly defined roles of the RAD campaign finance analyst during an audit, a list of the types of audit procedures the analyst can be assigned, and what specific audit steps are prohibited from being performed by RAD campaign finance analysts. • each AD staff member is responsible for providing adequate documentation to support CPEs earned; and document the work performed by RAD campaign finance analysts for each audit and RAD campaign finance analysts should be required to sign-off on any audit workpapers prepared before they are uploaded in TM (as RAD campaign finance analysts are not provided access to TM). 	<p><i>“Disagree with recommendations: Management already has a written policy that outlines the role for the campaign finance analyst that is suitable to their expertise. Management will incorporate the RAD audit fieldwork guide into the FEC Audit Division Quality Standards. All work performed by a RAD campaign finance analyst is reviewed by the Lead Auditor and Audit Manager to ensure proper utilization of this specialist’s work throughout the process.</i></p> <p><i>AD will require the campaign finance analyst to sign-off on their completed work. For management’s full response, see page 16.</i></p>	<p>OIG does not agree that the current written policy (<i>RAD Audit Fieldwork Guide</i>) adequately explains the role of the RAD campaign finance analyst. The OIG would suggest that management consider revising the <i>RAD Audit Fieldwork Guide</i> and then incorporate standard practice/controls related to the work of RAD campaign finance analysts into the applicable quality control documents.</p> <p>In addition, based on audits reviewed by OIG, there was not consistent evidence to support that the work of RAD campaign finance analysts was always properly documented and reviewed. The OIG believes management’s decision to require campaign finance analysts to sign-off on work completed will improve controls to ensure work of RAD campaign finance analyst is properly documented.</p>
<p>E. Continuing professional education (CPE) best practices needs to be improved</p>	<p>9. The AD should formally document their policies and procedures relating to current CPE requirements. The policy should include the following:</p> <ul style="list-style-type: none"> • the AD has adopted the 80 hour CPE requirements in accordance with GAO’s <i>Guidance on GAGAS Requirements for Continuing Professional Education</i>; • each AD staff member is responsible for providing adequate documentation to support CPEs earned; and • guidelines that explain and give examples of what type of training is eligible and ineligible to meet GAGAS CPE requirements. 	<p><i>“Agree with recommendation: Management will formalize CPE policies in the FEC Audit Division Quality Standards, which will include the existing 80 hour CPE requirement, guidelines that explain what type of training is eligible and instructions on maintaining documentation on the server.”</i></p>	<p>The OIG believes management’s planned actions will address this recommendation once fully implemented. The OIG looks forward to reviewing the CPE policy to ensure it fully addresses this recommendation.</p>

Summary of Audit Findings and Recommendations and Management’s Response

Finding	Recommendation	Management Response	OIG Comment
	<p>10. Strengthen control procedures to ensure AD CPE requirements are met by implementing the following:</p> <ul style="list-style-type: none"> • The audit manager responsible for tracking and monitoring CPEs should be required to verify that all training included in the CPE tracking report is supported by proper evidence in accordance with GAO’s <i>Guidance on GAGAS Requirements for Continuing Professional Educations</i>, Section 36: Maintaining Documentations; and • When training request forms are the only source of evidence. AD staff should be required to sign the training form in the appropriate section to certify that they actually attended and/or completed the training. 	<p><i>“Disagree with recommendation: All CPE classes were properly documented through spreadsheets, emails, attendance sheets, certificates, etc. Management tracks all the aforementioned information. Additionally, Management provided OIG copies of all certificates for all but four instances.”</i></p>	<p>Based on the results of our audit testing, we conclude that for the period reviewed, the AD’s CPE monitoring procedures were not operating effectively, nor do they support management’s response. OIG’s subsequent reviews still resulted in 22 instances of missing or inadequate CPE documentation.</p> <p>Failure to implement this recommendation or apply alternate monitoring procedures will continue to increase the risk of not having adequate controls related to ensuring audit staff complies with CPE best practices.</p>
	<p>11. The Audit Division should establish training guidelines to ensure employees are obtaining proper training (e.g. training on applicable auditing standards, audit related topics). Individual training needs and types of training planned to meet GAGAS CPE requirements should be incorporated into each auditor’s annual performance plan.</p>	<p><i>“Partially agree with recommendation: Management will formalize CPE policies in the FEC Audit Division Quality Standards. Although Management has been tracking this information, it will enhance this procedure by making it available to the staff in real time. Additionally, Management will develop a core curriculum for the staff and will meet annually to discuss.”</i></p>	<p>The OIG believes management’s planned actions will address this recommendation once fully implemented. We still believe that incorporating training to satisfy CPE best practices into individual auditors’ annual performance plans is a best practice that should be considered by management. The OIG looks forward to reviewing the CPE policy to ensure it fully addresses this recommendation.</p>

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