



**Federal Election Commission**  
**Office of Inspector General**

**Review of Outstanding Recommendations  
as of August 2017**

**September 2017**

**Assignment No. OIG-17-07**

# Office of Inspector General's Review of Outstanding Recommendations as of August 2017

## Summary of Review

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The Office of Inspector General (OIG) semiannually provides to the Commission a report on the status of outstanding recommendations. The OIG provides these status reports as of February and August of each year. For this reporting period, we continued our review of the previous seven audits and inspections with outstanding recommendations as of February 2017. Collectively, these 7 audits and inspections had 59 outstanding recommendations that required follow-up for this review period. Based on the results of the follow-up review, the OIG was able to collectively close only 4 of the 59 outstanding recommendations from 2 separate OIG reports.

## OIG Concerns

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The overarching concern of the OIG is the lack of governance accountability for ensuring that management enforces the required internal control to assure outstanding recommendations that are intended to improve agency programs and prevent fraud, waste, and abuse are timely and sufficiently implemented. This management control is mandated by the Office of Management and Budget's (OMB) Circulars A-123 and A-50, and also is required by the Federal Election Commission's (FEC) own policy, Commission Directive 50: Audit Follow-up. Governance must hold management accountable for promptly addressing outstanding recommendations to decrease the agency's risk exposure, effectively manage resources, and ensure cost control. Per OMB's Circular A-123, deficiencies reported "...through internal review or by an external audit, should be evaluated and corrected. A systematic process should be in place for addressing deficiencies."

Although corrective action plans (CAP) are created to address audit issues, and are submitted to the Commission biannually,<sup>1</sup> the standard for addressing deficiencies timely and appropriately must be established and enforced by the head of the agency. The OIG has highlighted a few deficiencies below that have gone unaddressed for several years, having an impact on agency operations.

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<sup>1</sup> Per Commission Directive 50: Audit Follow-up, management must submit their CAPs to the Commission in May and November of each year.

## **Risks to Agency Mission**

The FEC has operated for almost 13 years without an approved and tested contingency plan to ensure that in the event of a local or agency specific disaster, the Commission would have the ability to continue normal business operations within a reasonable timeframe. This issue was first reported in the agency's 2004 financial statement audit report in relation to Information Technology (IT) control weaknesses, and risks to government IT infrastructure have increased since then. In 2008, management hired a contractor for over \$200,000 to assist with developing the agency's contingency plan. The plans were finalized in 2010, but never tested by management to determine if the plans could be effectively executed. Due to the lack of progress in this critical area over time, the OIG conducted the *Inspection of the FEC's Disaster Recovery Plan and Continuity of Operations Plans* (COOP Inspection) and released a report in 2013 to support the need for improvement in this critical area. The absence of an approved and tested contingency plan poses a material threat to the agency's mission, particularly during timeframes related to election cycles when agency staff is at the height of its daily business operations.

## **Risks to Agency Assets**

The OIG has reported on inventory control weaknesses regarding the Office of the Chief Information Officer's (OCIO) inventory process for laptops since the release of the *2010 Follow-up Audit of Privacy and Data Protection* report. In January 2017, management made the decision to officially accept the risks of this reported internal control weakness to close out the OIG's audit recommendation. However, in accordance with its responsibilities outlined in the Inspector General Act of 1978 (IG Act) to recommend policies to promote efficiency and effectiveness, and to prevent fraud, the OIG continues to encourage management to reconsider its inventory and control process. Specifically, management does not maintain complete inventory records and has inadequate control processes for agency laptops. These weaknesses result in OCIO not having an account for all assets on hand in their inventory database, and the potential for waste of agency funds as assets can sit in storage for long periods of time unused, becoming obsolete due to an inherent short life cycle for IT equipment. In addition, the agency is also susceptible to theft and abuse that can go undetected not having adequate records for inventory.

The OIG has also reported for seven years that the OCIO has not maintained adequate inventory records for agency issued cellular devices as detailed in the *Audit of the FEC's Property Management Controls* report. The continuous issues reported to the Commission through our follow-up reviews illustrates the high risk exposure the agency is subject to in this area, as management's inventory process for laptops is the same for the agency cellular devices. Since the release of the initial OIG reports, the agency has been through at least two or more separate distribution cycles of new agency devices (cell phones and laptops) in which management could have implemented additional controls to fix the reported audit issues.

## **Risks to Procurement Functions**

The six year outstanding *2010 Follow-up Audit of Procurement and Contract Management* recommendation has yet to be closed by the OIG because the updates by management to Commission Directive 66, which is the agency-wide policy for procurement and acquisitions, have yet to be approved by Governance. The Procurement Office is currently understaffed and the Contracting Officer's position has experienced major turnover over the past few years. It is necessary that this essential part of the agency not only has consistent leadership, but also that policies and procedures are established for efficient operations, and for ensuring proper compliance with managing and distributing funds in accordance with Federal regulations.

## Table Summary of Results

The table below summarizes the progress made by FEC management since the OIG's last reporting period and the total outstanding recommendations as of August 2017.

<i>Title &amp; Report Date of OIG Audits/Inspection</i>	<i>Total Outstanding Recommendations as of February 2017</i>	<i>Total Closed</i>	<i>Total Open as of August 2017<sup>2</sup></i>
Audit of the Commission's Property Management Controls (3/2010)	1	0	1
2010 Follow-up Audit of Privacy and Data Protection (3/2011)	25	0	25
2010 Follow-up Audit of Procurement and Contract Management (6/2011)	1	0	1
Inspection of the FEC's Disaster Recovery Plan and Continuity of Operations Plans (1/2013)	10	1	9
Audit of the FEC's Office of Human Resources (7/2013)	8	3	5
Inspection of FEC's Compliance with FMFIA/OMB A-123 (6/2014)	5	0	5
Audit of the FEC Telework Programs (6/2016)	9	0	9
<b>Total Outstanding Recommendations</b>			<b>55</b>

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<sup>2</sup> Column numbers may include recommendations that management has disagreed with or has not adequately implemented, and the OIG concludes that these recommendations are still open.

# Audit Follow-up Meetings/Communications

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## Closed Audits/Inspections<sup>3</sup>

The OIG did not close any audits or inspections this review period.

## Open Audits/Inspections

### A. Audit of the Commission's Property Management Controls

The remaining outstanding recommendation for the *Audit of the Commission's Property Management Controls* (Property Audit) is related to the Office of the Chief Information Officer's (OCIO) inventory records for cellular devices. The OIG has followed up on this recommendation since the release of the report in March of 2010, and this reported weakness within management's business process for appropriately recording agency assets remains an outstanding issue. For the most recent iPhone devices distributed to FEC staff, the OCIO enrolled in Apple's Device Enrollment Program (DEP) to manage the agency devices. For review purposes, the OIG requested documentation of all devices enrolled and who was assigned administrative rights to this system. In addition, we requested the latest vendor billing information and the OCIO's official inventory listing. The OIG found no issues with the current administrative rights assigned to the DEP; however, the following issues with the inventory records for the devices were noted:

- Eight active iPhone devices are missing from OCIO's official inventory record
- One device (same barcode, serial number, and phone number) is assigned to two different FEC employees on OCIO's inventory list
  - Two devices are incorrectly assigned
    - One device is assigned to a user but listed as in storage
    - One device is assigned to the wrong user
- One device is listed as in storage on the OCIO's inventory, although vendor billing shows current usage activity and the device as being assigned to a separated employee
- Inventory records are unclear on how many devices OCIO has on hand
  - 133 iPhones are listed on OCIO's official inventory list<sup>4</sup>

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<sup>3</sup> An audit or inspection is closed when the OIG determines that all applicable recommendations have been adequately addressed by management.

<sup>4</sup> This does not include the one duplicate and the eight devices OIG identified from the AT&T bill that were not listed on OCIO's official inventory list

- 138 iPhones are listed on AT&T's latest monthly bill
- 163 iPhones are listed as enrolled devices for FEC per Apple records
  - 36 of the 163 agency iPhones registered with Apple were not recorded as inventory by OCIO

Although OCIO management officially accepted the risks of their inventory process in January 2017, the OIG continues to have concerns that the failure to record all acquired assets upon receipt not only causes the agency to have incomplete inventory records, but also greatly exposes the agency to potential theft of assets without detection from management. During our follow-up review, OCIO management confirmed that new devices are only recorded at the time they are distributed to FEC employees. Management stated as a reason for doing so, "The plastic around the box includes information that we use and removing the wrapping to barcode the device and possibly losing the wrapping becomes a problem that we would rather avoid." However, if the OCIO scanned the information for each purchased device at the time of receipt to ensure they matched the purchase order, the potential loss of pertinent information would be avoided and records would more accurately reflect current inventory. With this process, when a device is issued to staff, the only task necessary would be to assign the already tracked device to the proper user on the inventory listing. *See the OIG Concerns section regarding this matter.*

## **B. 2010 Follow-up Audit of Privacy and Data Protection**

For the *2010 Follow-up Audit of Privacy and Data Protection* (Privacy Audit), the OIG's *Review of Outstanding Recommendations as of February 2017* report identified 25 open recommendations. As we reported in our February 2017 report, the OIG suggested that a meeting with the Privacy Team be scheduled between follow-up review periods to discuss the outstanding recommendations so that management could appropriately provide a status update for this current review period. The OIG provided the Privacy Team with a copy of all the outstanding Privacy Audit recommendations on February 17, 2017, more than a month prior to the meeting scheduled for March 29, 2017. However, management was not prepared to discuss updates or corrective actions during this meeting. The OIG agreed to re-send the previous email and requested that management notify the OIG once it was ready to discuss the status of the open recommendations. The OIG followed up with the Privacy Team again on June 28 and July 18, 2017, but did not receive a response from management. Thus, the 25 outstanding recommendations remain open for the Privacy Audit. The OIG remains agreeable to meeting with the Privacy Team to discuss the outstanding recommendations.

### **C. 2010 Follow-up Audit of Procurement and Contract Management**

The *2010 Follow-up Audit of Procurement and Contract Management* was issued in June 2011. The OIG's *Review of Outstanding Recommendations as of February 2017* report identified only one open recommendation related to the updated Directive 66, which is the overarching agency-wide policy for procurement and acquisitions. This one recommendation is still open for this follow-up review period. *See the OIG Concerns section regarding this matter.*

### **D. Inspection of the FEC's Disaster Recovery Plan and Continuity of Operations Plans**

The *Inspection of the FEC's Disaster Recovery Plan and Continuity of Operations Plans* (COOP Inspection) report was released in January 2013. The OIG's *Review of Outstanding Recommendations as of February 2017* report identified 10 outstanding recommendations. Based on management's revised completion dates in their latest corrective action plan, five recommendations were scheduled to be completed during this follow-up review period. The OIG requested a status update from management regarding the five open recommendations, and was able to close one recommendation assigned to the Chief Information Security Officer upon review of the finalized FEC System Security Plan. The due date for three of the five recommendations was revised to September 2017. The one remaining recommendation was partially completed, as an updated list of COOP essential staff was provided, but a Disaster Recovery Plan has yet to be finalized. Therefore, the COOP Inspection has nine open recommendations remaining.

### **E. Audit of the FEC's Office of Human Resources**

The *Audit of the Federal Election Commission's Office of Human Resources* (OHR Audit) report was issued in July 2013. The OIG's *Review of Outstanding Recommendations as of February 2017* report identified eight open recommendations for the OHR audit report.

In August 2017, the OIG met with the Director of OHR to discuss the status of the eight outstanding audit recommendations as well as review corrective actions since the last follow-up review was conducted in February 2017. Based on follow-up work performed, the OIG closed three recommendations as follows:

- Two open recommendations related to the fingerprinting scheduling process have been closed. The OIG confirmed that the on-line electronic scheduling system (Timetrade) has been fully implemented for automating the scheduling for both fingerprinting and badging appointments.
- One recommendation related to the hiring process has also been closed. The OIG has confirmed that the OHR has converted to the USA Staffing automated system which

follows the standard OPM 80 day hiring model. The new system utilizes workflow and automatically tracks each vacancy according to the OPM 80 day hiring model and stores all applicable forms and documentation.

The OIG would also like to acknowledge the progress made with updating and creating personnel related policies and procedures. For example, OHR has finalized and released the standard operating procedures for both the FERS and CSRS retirement systems, and is in the process of rolling out a service level agreement for hiring. The OHR Director is still waiting on a decision concerning an on-line correspondence tracking system called Service Now which is being considered for agency-wide use. The Director of OHR would like to replace HR On Demand, which is currently used to track and monitor HR inquiries, with the Service Now system, as he believes it would be a more effective and efficient tracking tool. Based on follow-up work performed, the OHR Audit has five open audit recommendations for this follow-up review period.

#### **F. Inspection of FEC's Compliance with FMFIA/OMB Circular A-123**

The *Inspection of FEC's Compliance with FMFIA/OMB Circular A-123* (A-123 Inspection) was released in June 2014. The OIG's *Review of Outstanding Recommendations as of February 2017* report identified five open recommendations for the A-123 Inspection report. Since the February 2017 follow-up review period, the Office of the Chief Financial Officer (OCFO), in cooperation with the FEC A-123 Task Force, has formally adopted the Senior Management Council (SMC) charter which will be the designated oversight body responsible for the FEC's internal control and Enterprise Risk Management (ERM) programs. The SMC members have begun meeting on a regular basis to begin developing the FEC's ERM plan. The OIG notes that the initial OMB requirements related to submitting ERM and Fraud Reduction plans by June 4, 2017, have been postponed.

Although progress was made during this review period, the OIG will be unable to close the remaining five recommendations until the FEC fully implements ERM and fraud risk assessments into the Internal Control Report process, and the OIG can verify that the new processes are operating effectively. Therefore, five recommendations remain open for this follow-up review period.

## **G. Audit of the FEC's Telework Programs**

The *Audit of the FEC's Telework Programs* (Telework Audit) was released in June 2016. The Telework Audit report identified 11 recommendations. The OIG's *Review of Outstanding Recommendations as of February 2017* report identified nine open recommendations for the Telework Audit report. In August 2017, the OIG contacted the Telework Management Official and was informed there is no additional updates to report at this time. Therefore, nine recommendations remain open for this follow-up review period.

## Background

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As required by the Inspector General Act of 1978, as amended, the OIG is responsible for conducting audits of the FEC's programs and operations. In addition to conducting and supervising audits, the OIG also has the responsibility to conduct audit follow-ups to ensure that management has effectively implemented OIG recommendations. Audit follow-up, including the timely implementation of audit recommendations by FEC management, is required by Office of Management and Budget Circular A-50, *Audit Follow-up*, as revised, and FEC Directive 50: *Audit Follow-up*.

At the conclusion of each OIG audit and inspection, it is management's responsibility to develop a corrective action plan (CAP). The CAP identifies the plan management has developed to address the OIG's findings and recommendations. The CAP should detail the following:

1. assignment of Audit Follow-up Official, who is responsible for overseeing the corrective action;
2. OIG finding(s);
3. OIG recommendation(s);
4. detailed corrective action to implement the OIG's recommendation(s);
5. FEC staff person with responsibility to implement each task; and
6. expected completion dates.

Once management drafts the CAP, the OIG then reviews the CAP and provides comments to management regarding the sufficiency of their planned corrective actions to address the OIG's findings. Management reviews the OIG's comments, finalizes the CAP, and then provides the final CAP to the Commission with a courtesy copy to the OIG.

FEC Directive 50 requires management to:

*(3) Conduct regular meetings with the Inspector General throughout the year to follow-up on outstanding findings and recommendations, and include reports of these meetings in the written corrective action plan and semi-annual reports required to be presented to the Commission...;*

In order to work effectively with FEC management in adhering to FEC Directive 50, and to ensure continuous monitoring and adequate and timely audit resolution, the OIG communicates with management at least semiannually to discuss the status of outstanding OIG recommendations. If management has implemented any corrective action(s), the OIG schedules a meeting with management to discuss the implementation of the corrective action(s), and the OIG then reviews evidence of the corrective action (e.g., new/updated policies, procedures, and processes to improve internal controls).

To provide management with timely feedback and the results of our review prior to management's reporting deadlines to the Commission in May and November, the OIG reports on our review of outstanding recommendations as of February and August of each year. The semiannual meetings are also intended to assist the audit follow-up official in following provisions 4 through 6 of Directive 50, which are listed as follows:

- (4) Respond in a timely manner to all audit reports;*
- (5) Engage in a good faith effort to resolve all disagreements; and*
- (6) Produce semi-annual reports that are submitted to the agency head.*

The official status (open/closed) of OIG recommendations is determined by the OIG once the OIG has verified that management has adequately implemented the corrective actions. The Inspector General can also make a decision to close recommendations or seek resolution from the Commission for recommendations where the OIG and management disagree. Lastly, the number of outstanding recommendations is also reported to the Commission and Congress in the OIG's Semiannual Reports to Congress.

# Federal Election Commission Office of Inspector General



## Fraud Hotline 202-694-1015

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**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/fecig/fecig.shtml>

**Together we can make a difference.**