Federal Election Commission

Office of Inspector General

Final Report

Review of Outstanding Recommendations as of December 2013

February 2014

Assignment No. OIG-14-02

Office of Inspector General's
Review of Outstanding Recommendations
December 2013 Report

The Office of Inspector General (OIG) semiannually provides to the Commission the status of outstanding recommendations. We reviewed seven audits and inspections that had a total of 96 recommendations still outstanding. A total of 20 recommendations were closed. Three of the seven audits had no recommendations closed during this reporting period.

Noteworthy Accomplishments

- The OIG was able to close the last eight recommendations from the 2009 Follow-up of the Transit Benefit program
- The last outstanding recommendation from the 2011 Inspection of the Kastle Key Program was closed
- The final three open recommendations from the 2012 Quality Assessment of the Audit Division are closed
- Tremendous progress has been made by the OCFO under the leadership of the Acting CFO to close the outstanding recommendations from the 2011 Follow-up Audit of Procurement and Contract Management

OIG Concerns

- FEC needs to improve the accountability of management officials to ensure compliance with all aspects of Directive 50: Audit Follow-up
- Lack of progress by ITD in addressing outstanding recommendations for the Audit of the FEC's Property Management Controls and the Inspection of the FEC's Disaster Recovery Plan and Continuity of Operations Plan

More detailed information regarding the OIG concerns can be found in the remainder of this report along with the audit follow-up meetings/communications, report overview, and background. At the end of the report, we have attached the memo we sent to the Staff Director requesting a written statement accepting the risks involved in not implementing certain OIG recommendations. We have been informed by the Deputy CIO that these recommendations are not going to be implemented.

Audit Follow-up Meetings/Communications

Closed Recommendations

A. Audit Follow-up Review of the FEC's Employee Transit Benefit Program

The June *2013 Review of Outstanding Audit Recommendations* report identified eight (8) open recommendations. During the period ending December 31, 2013, the OIG was able to confirm that standard operating procedures, frequently asked questions, and training to reflect the new FEC Directive 54 on the transit benefit program have been fully implemented. As a result, we were able to close the remaining eight (8) open recommendations.

B. Inspection of the FEC's Kastle Key Program

The *June 2013 Review of Outstanding Recommendations* report noted one outstanding recommendation for the *Inspection of the FEC's Kastle Key Program*. During this follow-up review period, the OIG conducted follow-up testing on the remaining open recommendation to verify if the Administrative Services Division adequately implemented this recommendation. The follow-up results identified that the remaining recommendation was properly implemented, and all findings and recommendations for this inspection have been officially closed by the OIG. **The OIG appreciates the ASD's commitment to improving internal controls and their responsiveness to the OIG during the follow-up process.**

> Congratulations to ASD for their commitment to internal controls.

C. Quality Assessment Audit of the Audit Division

The *June 2013 Review of Outstanding Recommendations* report noted Audit Division management had taken corrective action that resulted in eight (8) of the eleven (11) recommendations being closed. However, there was not enough evidence to confirm that three (3) recommendations were fully implemented. Thus three (3) remained open. In November 2013, OIG met with the Audit Division Program Manager to determine if sufficient evidence was available related to the open recommendations. Based on the OIG review of supporting documentation, we were able to close the remaining three (3) recommendations.

> Audit Division has strong commitment to a quality audit process.

The OIG would like to recognize the Audit Division management for making it a priority of the division to address the findings included in the audit. **We specifically would like to give special recognition to the Audit Division Program Manager** for her dedication to promptly and adequately facilitate implementation of the audit recommendations. These efforts by the Audit Division have demonstrated a strong commitment to ensure a quality audit process.

Open Recommendations

A. Audit of the Commission's Property Management Controls

The *Audit of the Commission's Property Management Controls* (Property Audit) audit report was released in March 2010. The responsibility of implementing the audit recommendations for the Property Audit is shared by the Administrative Services Division (ASD) and the Information Technology Division (ITD). The OIG has worked with the ASD Managers[1] and the Deputy Chief Information Officer of Operations (Deputy CIO) to receive any updates regarding the implementation of audit recommendations. The Property Audit report identified 36 audit recommendations; ASD is responsible for the implementation of 10 recommendations, and the ITD 26 of the 36 recommendations.

In the OIG's June 2013 outstanding recommendations report, we reported that **ASD completed the implementation of all the outstanding recommendations that were assigned to their office and the related findings have been officially closed**. However, for several follow-up review periods, the OIG has expressed concern with ITD's lack of progress in implementing their outstanding recommendations to improve their management controls over FEC property. The OIG contacted ITD management this review period, and was notified that management had not implemented any corrective actions since the last review period.

> ITD Management states no corrective actions completed.

As reported in our prior audit, ITD has a non personnel budget of approximately seven million dollars ($7 million), the largest budget (excluding personnel costs) in the entire agency, and the OIG believes that management should be more focused to ensure that the proper controls are in place to reduce the risk of any excessive cost, waste, or abuse to the agency and its programs. The OIG has reported in other audits (*2010 Follow-up Audit of Privacy and Data Protection; FEC's Annual Financial Statement Audits*), that IT controls are not adequate, however ITD has failed to properly address the reported recommendations that are intended to improve the agency's IT controls.

> Management should be more focused to ensure proper controls are in place.

ITD management has decided not to implement the remaining outstanding recommendations for the *Audit of the Commission's Property Management Controls.* **Therefore, a written response from the Staff Director confirming that management agrees to accept the risk of not implementing the remaining recommendations** is required in order for the OIG to consider closing the remaining outstanding recommendations, and conclude audit follow-up. Please see attachment 1 for *Management's Acceptance of Risk for Outstanding Recommendations* for a list of the seven outstanding recommendations along with their potential risk to the agency if not implemented.

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[1] The OIG has worked with one acting ASD manager and two permanent ASD managers since the completion of the Property Audit due to frequent turnover in this position.

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

For the *2010 Follow-up Audit of Privacy and Data Protection*, the OIG's June 2013 report identified 30 open recommendations. During this review period, the OIG noted that the Co-Chief Privacy Officer's did not provide a CAP to the Commission in November 2013 in accordance with Directive 50. The OIG contacted the Staff Director's Office, who manages the CAPs submitted by FEC management to the Commission, and confirmed that a CAP was not provided. The OIG contacted the Co-Chief Privacy Officers via email on December 18, 2013 regarding audit follow-up, but did not receive a response. At the conclusion of the OIG's review period, the Office of the Staff Director identified that the Privacy Team provided their November 2013 CAP update to the Commission on December 23, 2013, nearly a month late.

> CAP provided late to Commission.

The OIG reviewed the CAP submitted to the Commission and noted the memo stated that "…*the Privacy Team closed recommendations 8b and 10c of the corrective action plan.*" However, the OIG reviewed and verified the closures of these two items during the prior review period and reported them closed in the June 2013 report. In addition, the Privacy Team stated that they, "…*completed task items for recommendations 4a and 4c, and anticipates that these recommendations will soon be closed.*" Due to the late submission and update of the Privacy CAP, the OIG was not able to review or verify the work completed. The OIG will review the items noted in the memo to the Commission regarding activity completed for recommendations 4a and 4c, and any additional corrective actions during the next review period.

C. 2010 Follow-up of Procurement and Contract Management

The June *2013 Review of Outstanding Recommendations* report noted 17 outstanding recommendations. At the request of the Office of the Chief Financial Officer (OCFO), the OIG met with the acting Chief Financial Officer (CFO) and other OCFO staff members in November 2013 prior to their reporting to the Commission. The purpose of the meeting was to discuss the remaining outstanding audit recommendations, as well as additional progress made since the June 2013 meeting. Subsequent to the meeting, the OIG reviewed documentation obtained during the meeting to support corrective actions related to some of the open recommendations and updated the OIG comment section of the CAP. The OIG also met with the procurement contractor in December 2013 to discuss additional progress made since November and to confirm what recommendations would be officially closed by the OIG. As of December 31, 2013, the OIG has closed an additional eight (8) recommendations. **The OIG would like to note that the OCFO, under the leadership of the acting CFO, has been working diligently over the past year to address the outstanding recommendations**. As a result, 20 of 29 total recommendations originally reported in the *2010 Follow-up Audit of Procurement and Contract Management* have been closed over the past 12 months.

> OCFO making progress on addressing recommendations.

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

The OIG initiated the *Inspection of the FEC's Disaster Recovery Plan and Continuity of Operations Plans (COOP Inspection)* due to:

- repeat findings related to the agency's contingency plan in the FEC's annual financial statement audit since FY 2004;
- the agency hiring a contractor for approximately $277,000 in FY 2008 to assist with the development of contingency plans for the FEC program offices that where never fully tested; and
- management's non-compliance with applicable laws and regulations for properly training FEC personnel on their COOP plans.

Since the inspection report was released in January 2013, this review period is the first follow-up for the COOP Inspection. However, the OIG did not verify implementation of any corrective actions because management has not made any progress. In November 2013, the Deputy Chief Information Officer stated in a memo to the Commission that "*There have been no updates since the last circulation [of the CAP] due to budget constraints but it is our goal to revise and update the current plan during FY 2014.*"

The OIG is concerned with the lack of progress and commitment by the Information Technology Division to address the numerous problems found during our inspection. Further, the OIG would like to note that our office has reported on weaknesses in this area since FY 2004 in the agency's annual financial statement audits. Management has been aware of the agency's issues for several years, and neglected to promptly implement corrective actions.

Management aware of issues for several years.

The table below summarizes the progress made by FEC management during the past six months and the outstanding recommendations as of December 2013.

Title & Report Date of OIG Audits/Inspection	Total Outstanding Recommendations as of June 2013	Total Closed and Verified by OIG	[2]Total Open as of December 2013
Audit Follow-up Review of the FEC's Employee Transit Benefit Program (7/2009)	8	8	0
Audit of the Commission's Property Management Controls (3/2010)	7	0	7
2010 Follow-up Audit of Privacy and Data Protection (3/2011)	30	0	30
2010 Follow-up Audit of Procurement and Contract Management (6/2011)	17	8	9
Inspection of the FEC's Kastle Key Program (12/2011)	1	1	0
Quality Assessment Audit of the Audit Division (9/2012)	3	3	0
Inspection of the FEC's Disaster Recovery Plan and Continuity of Operations Plans (1/2013)	30	0	30
Total Outstanding Recommendations			76

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[2] "Total Open as of December 2013" column includes recommendations that management has disagreed with or has not adequately implemented, and the OIG concludes that these recommendations are still 'open.'

OIG Concerns

As reported in our June 2013 Review of Outstanding Recommendations report, the FEC
needs to improve the accountability of management officials necessary to ensure
compliance with all aspects of Directive 50: Audit Follow-up. It is essential that the
Commission not only requires management to report on a semi-annual basis the status of
outstanding recommendations, but also develops a process to ensure the Audit Follow-up
Officials are being held accountable for implementing outstanding recommendations in a timely
manner that are beneficial to the agency's mission and will improve agency programs. Without the
accountability necessary to ensure corrective actions are taken by management, the mission of the
agency is consistently operating under weaker controls that can increase cost, expose the agency to
risks, and increase the potential of fraud, waste, and abuse to agency programs.

> Accountability
> of management
> officials needs
> improvement.

In addition, the OIG is concerned with the lack of progress by the Information
Technology Division to address outstanding recommendations for the *Audit of the FEC's
Property Management Controls* and the *Inspection of the FEC's Disaster Recovery Plan
and Continuity of Operations Plan.*

> Pattern of lack of
> progress by ITD
> on outstanding
> recommendations.

Report Overview

This report provides the Commission and management the results of the Office of Inspector
General's (OIG) review of outstanding OIG recommendations as of December 2013.

As required by the Inspector General Act of 1978, as amended, the Office of Inspector General (OIG)
is responsible for conducting audits of the Federal Election Commission's (FEC) 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, to include 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.*

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 actions, 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 (i.e. new/updated policies, procedures, and processes to improve internal controls).

Based on management's availability, the OIG strives to schedule these meetings to provide
management with the results of our review prior to management's reporting deadlines to the
Commission in May and November. These meetings can provide management with timely OIG
feedback for their semiannual reports to the Commission and enables the OIG to keep abreast of

management's progress. 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."*

FEC management is required by FEC Directive 50 to provide semiannual status reports (May and November) to the Commission of their progress concerning outstanding OIG recommendations. 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 reported to the Commission and Congress in the OIG's Semiannual Reports to Congress.

Background

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 (AFO), 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 their 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...;"*

FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

Office of Inspector General

MEMORANDUM

TO: Alec Palmer
           Staff Director/Chief Information Officer

FROM: Lynne A. McFarland
           Inspector General

SUBJECT: Risk Acceptance Statement: *December 2013 Review of Outstanding Recommendations Report*

DATE: February 10, 2014

The Office of Inspector General (OIG) is finalizing the *December 2013 Review of Outstanding Recommendations Report* to be released February 2014. As you know, the OIG's outstanding recommendations report details the results of the OIG's follow-up reviews for audit and inspections that have outstanding recommendations for six months or more.

As of December 2013, the *Audit of the FEC's Property Management Controls* has several recommendations that have been outstanding for over three years. The OIG has reported on our concern with the lack of progress from ITD management since June 2012, and our soon to be released report on outstanding recommendations reiterates the OIG's concern. The audit follow-up official has stated during OIG follow-up reviews that no further corrective actions will be implemented to address the remaining recommendations and management considers the recommendations closed. Therefore, the OIG's *December 2013 Review of Outstanding Recommendations Report* is requesting a written statement from the Staff Director accepting the risk of the outstanding recommendations in order for the OIG to officially close the open recommendations. A list of the outstanding recommendations, and the risks associated with not implementing the recommendations, is attached with this memo and will also be included in the final report.

In addition, the OIG is aware that ITD is in the process of replacing the Blackberry devices with iPhones. The OIG would like to note that the outstanding recommendations are applicable to the iPhone and any other cellular phone device the agency may procure. Based on the OIG's knowledge of the agency's lack of controls in this area, the OIG believes the roll-out of the new iPhone devices would be the opportune time for management to implement the remaining outstanding recommendations to improve the agency's controls.

The OIG is requesting a written statement from the Staff Director by **March 3, 2014** in response to accepting the risk of the outstanding recommendations for the *Audit of the Property Management Controls* in order for the OIG to properly plan for the next audit follow-up review period. If you decide to implement one or more of the outstanding recommendations, based on the risks outlined in this memorandum, please let me know by March 3, 2014 so that I can schedule a review of the corrective action(s) at a future date.

Thank you.

Attachment

Management's Acceptance of Risk for the *Audit of the FEC's Property Management Controls* **Outstanding Recommendations**

The Office of Inspector General is requesting a written statement from the Staff Director in regards to the remaining open recommendations from the *Audit of the FEC's Property Management Controls* that are listed below. In order to close these recommendations and conclude the follow-up process, the Staff Director should state that management will accept the risk of not implementing the outstanding recommendations. Below are the outstanding recommendations and their associated risks.

1. *Recommendation 1h*: Document the ITD re-authorization process of PCD [personal communication device/Blackberry] users in ITD's Policy 58-4.4
   - **Risk:** *Waste of agency funding*.
     - The re-authorization of PCD users is an internal control to help ensure that staff provided a Blackberry continue to have a need for the device. Staffs' job responsibilities change over time, and their need for a Blackberry can change. Therefore, it is important to periodically review the staff assigned a Blackberry to make sure the expenditure of funds for the Blackberry service is still required. As ITD is the office with oversight of the Blackberry devices, ITD's refusal to periodically re-authorize the users means ITD may be unaware if the agency is wasting funds on FEC personnel or contractors who no longer have a business need for an FEC issued Blackberry.

2. *Recommendation 1k*: Provide the policies and procedures for the use of Blackberry devices to all users when issuing the Blackberry.
   - **Risk:** *Abuse of government property.*
     - Blackberry devices issued to authorized users have the potential to be misused (excessive personal use, downloading of unauthorized applications, viewing prohibited information on a government issued device, etc.) if users are not aware of polices and procedures for using an FEC issued Blackberry.

3. *Recommendation 2a*: All unassigned Blackberry devices should be suspended or service should be terminated if the device can not be immediately transferred to another user (no active spares kept in ITD). At the time of our inspection, ITD retained a minimum of 10 inactive spare devices (many of the spares were left active incurring monthly charges) and a spare Subscriber Identity Module (SIM) card (portable memory chip). If required, a device could be activated within 24 hours.
   - **Risk:** *Fraud and no internal control.*
     - In a prior audit follow-up, management stated that they have decreased the number of spare devices on hand to three. Although the OIG agrees that three spare devices is more reasonable than the previous 10 spares, the OIG reviewed devices listed as unassigned (spare) on the agency's AT&T monthly bill and they showed activity (in use) and were listed as assigned to FEC personnel on

the inventory list. As a result, ITD is not maintaining accurate records of the unassigned Blackberry devices. Because these devices are not properly tracked, management runs the risk of potential fraud (stolen devices, unauthorized activity) because ITD does not maintain proper records of spare devices.

4. *Recommendation 2f*: Blackberry user information should be kept up to date and adjusted in a timely manner on the ITD master Blackberry listing and the AT&T Premier website for employee separations and new assignment of devices.
    - **Risk**: *Fraud and no internal control.*
        - Because these devices are not properly tracked, management runs the risk of potential fraud (stolen devices) because ITD does not maintain proper inventory records, and it's likely these devices would not be detected as missing.

5. *Recommendation 2g:* Management should educate Blackberry users of all features that incur additional cost to the agency, such as: roaming charges that result when employees place calls outside AT&T service areas; texting; directory assistance; unauthorized software, and voice use over the pooled plan limits.
    - **Risk:** *Waste of agency funding and abuse of government property.*
        - The agency is at risk of wasting funds on unauthorized device features that cost additional money beyond the agency's plan. There is also potential for abuse by users in using their agency issued devices for excessive personal use. Both instances have been identified by the OIG and reported to management during the initial audit and in prior follow-up reviews.

6. *Recommendation 3:* ITD should implement a form and process such as the NIST Sample Sanitization Validation form, to record sanitization (wiping) of devices, disposal and/or destruction, as appropriate.
    - **Risk:** *Data breaches and fraud.*
        - Old devices that are no longer in use run the risk of containing sensitive information from emails/attachments if management has no record that the device has been properly sanitized prior to transferring the device as surplus to the General Services Administration. In addition, if the device is to be destroyed and there is no record of the destruction, there is a risk that the device can be removed from the agency and used for personal use or prohibited activity (selling an agency issued device).

7. *Recommendation 3e:* Segregate the following program functions among three or more ITD staff: Purchasing/ordering and recording assets; Authorization for purchases, including devices received free under upgrade promotion; Receipt, storage, and distributing of assets; and Destruction or disposal of surplus PCDs.

   - **Risk***: Waste of agency funds and fraud***.**
     - Having one person to oversee all purchasing, recording, and storage responsibilities for Blackberry devices presents the risk of a) wasting agency funds on additional devices that are purchased for prohibited activity; b) abuse of agency devices being used as personal use; and c) creating fraudulent documentation and records to prevent the detection of prohibited activity of agency issued devices.

Federal Election Commission
Office of Inspector General

Fraud Hotline
202-694-1015

or toll free at 1-800-424-9530 (press 0; then dial 1015)
Fax us at 202-501-8134 or e-mail us at oig@fec.gov
Visit or write to us at 999 E Street, N.W., Suite 940, Washington DC 20463

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

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