

Federal Election Commission  
Office of Inspector General



Fiscal Year 2011  
Work Plan

*Lynne A. McFarland*  
*Inspector General*

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## FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

Office of Inspector General

### **A Message from the Inspector General**

I am pleased to present to the Commission the Office of Inspector General's (OIG) fiscal year (FY) 2011 Annual Work Plan. This work plan includes a description of audit, inspections, investigative and special projects planned for the fiscal year. This plan also sets forth the OIG's formal strategy for identifying priority issues and managing its workload and resources for FY 2011. Successful execution of this plan will enable the OIG to provide the highest quality work products to our stakeholders and to assist the FEC in meeting its strategic mission, goals and objectives.

The U.S. Federal Election Commission's (FEC) mission is to prevent corruption in the federal campaign process by administering, enforcing and formulating policy with respect to federal campaign finance statutes. The OIG is committed to ensuring the integrity of FEC programs and operations. The development and continual updating of the OIG's work plan is a critical aspect of accomplishing the OIG's objectives to promote economy and efficiency in FEC programs and to detect and prevent fraud, waste and abuse. Effective work planning ensures that audit and investigative resources are used effectively and efficiently. I look forward to a successful year of providing the highest quality of audit and investigative support and service to our stakeholders.

I am also committed to ensuring effective lines of communication with the Commission regarding OIG work activities and issues of concern and importance to the Commission. Information on OIG work activity will be reported to the Commission in quarterly reports and also in the OIG's Semiannual Reports to Congress.

A handwritten signature in black ink that reads "Lynne A. McFarland". The signature is written in a cursive, flowing style.

Lynne A. McFarland  
Inspector General  
Federal Election Commission

October 1, 2010

## *The Federal Election Commission*

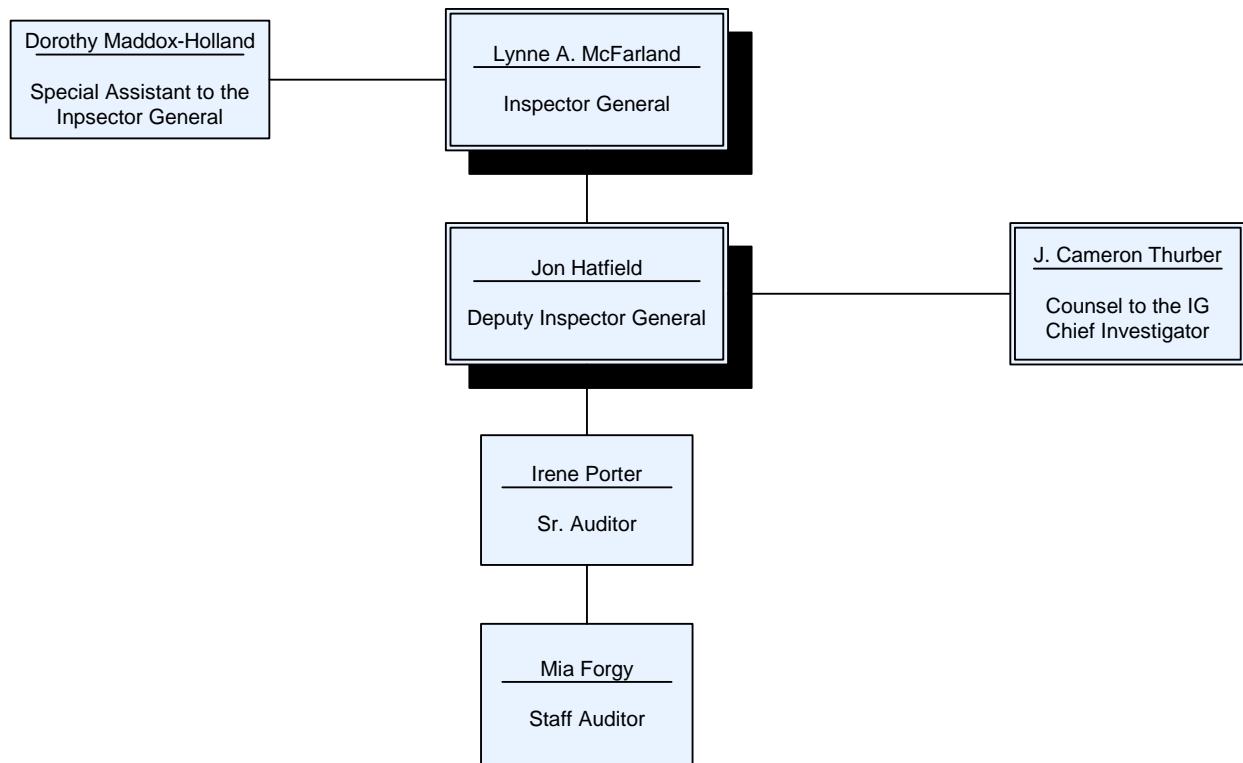
In 1975, Congress created the Federal Election Commission (FEC) to administer and enforce the *Federal Election Campaign Act (FECA)*. The duties of the FEC, an independent regulatory agency, are to disclose campaign finance information; enforce the provisions of the law; and oversee the public funding of Presidential elections.

The Commission is made up of six members, who are appointed by the President and confirmed by the Senate. Each member serves a six-year term, and two seats are subject to appointment every two years. By law, no more than three Commissioners can be members of the same political party, and at least four votes are required for any official Commission action. The Chairmanship of the Commission rotates among the members each year, with no member serving as Chairman more than once during his or her term. Currently the FEC has a full complement of Commissioners – Matthew S. Petersen; Cynthia L. Bauerly; Ellen L. Weintraub; Steven T. Walther; Caroline C. Hunter; and Donald F. McGahn, II.

## *Office of Inspector General*

*The Inspector General Act of 1978 (P.L. 100-504)*, as amended, states that the Inspector General is responsible for: 1) conducting and supervising audits and investigations relating to the Federal Election Commission's programs and operations; 2) detecting and preventing fraud, waste, and abuse of agency programs and operations while providing leadership and coordination; 3) recommending policies designed to promote economy, efficiency, and effectiveness of the establishment; and 4) keeping the Commission and Congress fully and currently informed about problems and deficiencies in FEC agency programs and operations, and the need for corrective action. The OIG budget request for fiscal year 2011 was \$1,325,940 to cover salaries and related expenses for six staff members, to include audit contracts and training. Exhibit 1 on the following page contains the OIG's organizational chart.

## Exhibit 1: FEC - OIG Organizational Chart



## *OIG Strategic Planning*

### Strategic Plan

To enhance the effectiveness of the OIG and to ensure effective audit and investigative coverage of the Commission's programs and operations, in 2010 the OIG updated our strategic plan covering the period 2010 through 2015. Three major categories of OIG-wide goals and objectives were identified, which are as follows:

- **OIG Products:** To provide products and services that promote positive change in FEC policies, programs, and operations.
- **OIG Processes:** To develop and implement processes, policies, and procedures to ensure the most effective and appropriate use of OIG resources in support of our people and products.
- **OIG Staff:** To maintain a skilled and motivated work force in an environment that fosters accountability, communications, teamwork, and personal and professional growth.

In addition, strategies and performance measures for each objective are included in the strategic plan. For example, an OIG performance measure for audits includes using feedback from stakeholder surveys to continually improve the OIG's audit process. At the conclusion of each audit/inspection/review, the OIG distributes a stakeholder survey to the program officials to solicit their feedback on the usefulness of the completed OIG assignment and their overall satisfaction with the process.

The OIG strategic plan will continue to evolve and will be reviewed and updated as necessary to ensure maximum effectiveness in meeting the changing needs of the FEC, consistent with the OIG's statutory responsibilities. A detailed illustrative version of the OIG's strategic plan can be found as an attachment of this Annual Work Plan.

### *Annual Planning and Methodology Strategies*

The planning methodology that we have adopted is built around the OIG staff brainstorming sessions held annually each summer, as well as soliciting and receiving feedback and ideas from stakeholders throughout the year. The annual work plans will, of course, require periodic updates to reflect changes, such as new priorities, as well as any changes in OIG resources. In the summer of 2010, the OIG conducted our third annual all-day brainstorming session. Similar to 2008 and 2009, the ideas and suggestions generated from the 2010 brainstorming session were separated into categories to include audits, inspections, investigative program, and special projects, and then ranked (i.e., high, medium and low) according to priority.

In anticipation of the OIG annual brainstorming sessions, the OIG sends an e-mail to all FEC staff seeking input in formulating the OIG's work plans. Historically, the OIG receives useful audit suggestions from FEC staff which are then considered during the annual planning process.

The OIG planning process is designed to yield work assignments that will identify opportunities for economy, efficiency and effectiveness in FEC programs and operations; and detect and prevent fraud, waste, abuse and mismanagement. The priority for conducting work assignments is based on (1) mandatory legislative requirements; (2) emphasis by the President, Congress, and the Commission; (3) a program's susceptibility to fraud, manipulation, or other irregularities; (4) dollar magnitude or resources involved in the proposed area; (5) management needs identified through consultation with primary organization heads; (6) newness, changed conditions, or sensitivity of an organization; (7) the extent of outstanding issues resulting from prior audit coverage or review by the OIG or other oversight body; and (8) the adequacy of internal control systems in place for the program or other factors.

Based on the results of the OIG's planning process, the OIG's annual work plan is divided into three primary categories:

- (1) Audits/Inspections/Reviews;
- (2) Investigative Program; and
- (3) Special Projects.

## ***OIG 2011 Work Plan***

### **AUDITS/INSPECTIONS/REVIEWS**

The term "audit" is used to describe work performed by auditors in examining financial statements, as well as work performed in reviewing compliance with applicable laws and regulations, the economy and efficiency of operations, and the effectiveness in achieving program results. These audits are prepared in accordance with generally accepted government auditing standards and vary in scope and complexity. Inspections and reviews are conducted in accordance with quality standards issued by the federal Inspector General community.

For Fiscal Year 2011, the following audit related assignments are planned:

#### **1. Audit of the Federal Election Commission's 2010 and 2011 Financial Statements.**

In accordance with the *Accountability of Tax Dollars Act of 2002*, the FEC is required to prepare annual financial statements in accordance with Office of Management and Budget (OMB) Circular No. A-136, *Financial Reporting Requirements*. The *Chief Financial Officers Act of 1990*, as amended, requires the FEC Inspector General, or an independent external auditor selected by the IG, to audit the agency financial statements.

We will oversee the audit conducted by the OIG's independent public accounting firm Leon Snead & Company. The OIG is responsible for 1) reviewing the auditor's approach and planning of the audit; 2) evaluating the qualifications and independence of the auditors; 3) monitoring the work of the auditors; 4) examining audit documents and reports to ensure compliance with government auditing standards, and OMB Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as revised; and 5) other procedures the OIG deems necessary to oversee the contract and audit.

*Planned period of audit: May 2010 – November 2010;  
May 2011 – November 2011.*

## **2. Audit of the Federal Election Commission's Human Resources Office.**

The OIG is planning to conduct a performance audit of the FEC's Human Resources (HR) Office during fiscal year 2011. The HR Office is a critical component of the agency and is responsible for several important functions, to include recruitment and retention of qualified staff; employee-employer relations; administration of employee benefits; maintenance and processing of personnel records; training; among other responsibilities. The Office of Personnel Management (OPM) conducted a Human Capital Management Evaluation of the FEC in 2009 and reported numerous weaknesses and deficiencies. The purpose of the OIG's audit will be to follow-up on the weaknesses identified by OPM to ensure appropriate corrective action has been taken by the FEC; and also focus on additional high-risk areas not covered by the 2009 OPM evaluation.

*Planned period of audit: April – July 2011.*

## **3. Audit Follow-up of the OIG's 2006 Inspection and 2007 Audit of Privacy and Data Protection.**

The OIG will oversee an independent public accounting (IPA) firm conduct an audit follow-up of two previously issued reports on the FEC's privacy and data protection policies, procedures and practices.

In 2006, the OIG contracted with an IPA firm to conduct an inspection of personally identifiable information within the FEC. In addition, in 2007 the OIG contracted with another IPA firm to conduct a performance audit of privacy and data protection policies as required by section 522 of the *Consolidated Appropriations Act, 2005*. Numerous recommendations were reported to the FEC in the inspection and audit reports to correct weaknesses, some of which have already been implemented and verified by the OIG. The purpose of the audit follow-up will be to determine whether the FEC has implemented the outstanding recommendations.

*Planned period of audit: October 2010 – January 2011.*

## **4. Audit Follow-up of the OIG's Audit of Procurement and Contract Management.**

The OIG will oversee an IPA firm conduct an audit follow-up of the 2009 performance audit of the FEC's procurement and contract management.

Previously, the OIG contracted with an IPA firm to conduct a performance audit of the procurement and contract management policies and procedures used by the FEC and to determine whether the agency is complying with the



policies and procedures, and applicable federal acquisition laws and regulations. The audit of the FEC's procurement and contract management activities identified nine significant issues that warranted corrective action. The purpose of the audit follow-up will be to determine whether the FEC has taken appropriate corrective action to address the weaknesses.

*Planned period of audit: November 2010 – March 2011.*

## **5. Audit Peer Reviews.**

The OIG commenced an audit peer review of the Commodity Futures Trading Commission OIG in the summer of 2010 as part of the Council of Inspectors General on Integrity and Efficiency's audit peer review program. Government auditing standards require audit organizations to have an external review of their quality control system at least every three years. The OIG is planning to issue the final peer review report by November 2010.

In addition, the FEC OIG is scheduled to be peer reviewed in FY 2011 by another OIG. As a result, the FEC OIG will be required to provide the peer review team documentation on the OIG's quality control processes, audit workpapers, and other information for evaluation of the OIG's compliance with government auditing standards and internal policies and procedures.

## **6. Audit Policies and Procedures Manual.**

The OIG began an update of the OIG's audit manual in 2010 and expects to finalize the manual in late 2010. The updated audit policies and procedures manual will reflect changes in auditing standards and the OIG's audit environment, to include the use of electronic working papers.

## **7. Limited Scope Inspections.**

The OIG is planning to conduct a minimum of two limited scope, or short-term, inspections of FEC programs during FY 2011. The goal of the short-term inspections will be to focus OIG resources on high-risk areas and provide rapid, up-to-date information to FEC management and the Commission on the efficiency and effectiveness of FEC programs.

## **8. Additional Work Assignments.**

The following additional assignments may be undertaken during FY 2011 based on available OIG resources, timing of management's implementation of audit recommendations, benefit to the agency and other relevant factors. Priorities may be adjusted to reflect emerging issues during the FY.

- a. Audit of the FEC's Training Program.

- b. Audit of the FEC's Records Management Program.
- c. Inspection of the FEC's Security and Disposal of Agency Equipment.
- d. Inspection of the FEC's Occupant Emergency Plan.
- e. Review of the FEC's Security Guard Policies and Practices.

## **INVESTIGATIVE PROGRAM**

The OIG's investigative program is intended to add value to the agency's programs and operations by identifying and investigating allegations of fraud, waste, abuse and misconduct leading to criminal, civil, and administrative penalties and recoveries. Investigations typically originate as hotline complaints and may result in formal investigations if the OIG believes an investigation is warranted. The OIG's investigative program also provides for initiatives designed to monitor specific high-risk areas within FEC programs and operations in order to proactively identify vulnerabilities in order to prevent fraud, waste and abuse.

For Fiscal Year 2011, the following investigative assignments are planned:

### **1. Manage Hotline Complaints and Investigation Caseload.**

The OIG will respond to hotline complaints during the fiscal year and report in a timely manner to the appropriate officials on the resolution of hotline complaints and investigations.

### **2. Outsource OIG Hotline.**

During the fiscal year, the OIG is planning to contract with a vendor to provide a hotline service. Hotline complaints and investigations will continue to be handled by OIG staff, however, the outsourced OIG hotline will provide FEC employees, contractors and interested parties with an additional mechanism to submit complaints of fraud, waste, abuse and misconduct to the OIG.

### **3. Proactive Investigative Initiatives.**

The OIG will initiate proactive reviews involving high-dollar and high-risk programs and operations of the agency. In addition, the OIG has identified several agency data systems, such as financial related systems, and plans to pursue direct read-access for OIG personnel as part of the OIG's proactive initiatives to prevent fraud, waste, abuse and misconduct.

#### **4. Outreach.**

Throughout the fiscal year, the OIG will conduct fraud/OIG awareness briefings with division management and staff. The briefings are intended to educate FEC staff about the potential for fraud in FEC programs, such as travel, workers compensation, time and attendance, and government charge card activity. Discussion and education on fraud will help employees to identify and report suspected fraud and help reduce the number of fraud cases. The briefings will also educate the FEC staff about the OIG's mission; how to report complaints to the OIG; and whistleblower protections to prevent retaliation against employees and contractors who report allegations of serious wrongdoing or gross mismanagement to the OIG or the agency.

In addition, the OIG will continue the new employee orientation program to meet with all new employees to discuss the purpose and mission of the OIG. Lastly, the OIG will review and revise, as necessary, the OIG's FECNet (intranet) site, public Web site, OIG brochure, fraud poster, and other outreach initiatives.

#### **SPECIAL PROJECTS**

In addition to the OIG's audit and investigative responsibilities, the OIG will be responsible for numerous additional projects and activities during fiscal year 2011. For example, as required by the *Inspector General Act of 1978*, as amended, all legislation compiled by the Commission's Congressional Affairs Office is reviewed by the Inspector General. The Inspector General and staff also participate in several federal Inspectors General community working groups on topics related to law, audits, and investigations. All of these activities contribute to the success and mission of the OIG. Additional special projects will arise throughout the fiscal year and the OIG will prioritize our workload to respond to the additional requirements.

For Fiscal Year 2011, the following are examples of the special projects and activities planned by the OIG:

##### **1. Participate and Attend Professional Working Group and Other Meetings.**

The Inspector General or OIG staff will regularly attend the following Council of the Inspectors General on Integrity and Efficiency (CIGIE) professional working group meetings: CIGIE; Executive Council of CIGIE; CIGIE Professional Development Committee; IG Candidate Recommendations Panel Committee; IG Council of Counsels; Assistant

Inspector General for Investigations; Federal Audit Executive Council; and Financial Statement Audit Network Group.

In addition to CIGIE professional working group meetings, the Inspector General or staff will regularly attend FEC weekly senior level meetings, and quarterly management and FEC town-hall meetings during the fiscal year.

## **2. Semiannual and Quarterly Reporting.**

In accordance with the *Inspector General Act of 1978*, as amended, the OIG will prepare and transmit to the Congress semiannual reports on the activities of the OIG. Semiannual reports summarize OIG activities during the immediately preceding six-month periods ending March 31<sup>st</sup> and September 30<sup>th</sup> of each year. OIG semiannual reports are also provided to the Commission. The OIG will also report on a quarterly basis to the Commission on the activities of the office.

## **3. Professional Development and Training.**

The goal of the OIG's training program is to provide cost effective training to increase professional knowledge and proficiency, and ensure staff meet continuing professional educational requirements. As a result, the OIG staff will attend professional training and conferences during the fiscal year to maintain and improve their knowledge, skills and abilities.

## **4. Audit Follow-up Tracking Database.**

The OIG will complete and implement the OIG's new audit follow-up tracking database during fiscal year 2011. In partnership with the FEC's Information Technology Division, the OIG worked in 2010 to develop the database to assist the FEC to adhere to the requirements of the Office of Management and Budget's Circular A-50, *Audit Followup*, September 29, 1982. The audit follow-up database will be an important tool for the Commission, management, program officials and OIG to monitor and track the status and implementation of audit recommendations by the OIG, Government Accountability Office, Office of Personnel Management, and other oversight bodies.

# FEC / OIG Strategic Plan - Fiscal Years 2010 - 2015

**OIG Products:** *To provide products and services that promote positive change in FEC policies, programs, and operations.*

**Objective A:** Deliver timely, high-quality products and services that promote positive change.

**Strategy:**

- establish common OIG standards for communicating results;
- conduct quality assurance programs;
- solicit appropriate internal and external review and comment;
- comply with applicable statutory guidelines and standards;
- set realistic and appropriate milestones.

**Objective B:** Address priority issues and concerns of the Commission, Management, and Congress.

**Strategy:** Perform work that supports;

- Federal Election Commission and Congressional priorities;
- Strategic Management Initiative efforts;

Focus OIG attention in the following areas of emphasis:

- managing change;
- resource allocation in relation to policy objectives;
- delivery of client service;
- causes of fraud and inefficiency; and,
- automation and communication.

**Objective C:** Follow-up and evaluate results of OIG products and services to assess their effectiveness in promoting positive change.

**Strategy:**

- Identify, as appropriate, lessons learned to improve timeliness and quality; and,
- conduct follow-up reviews to determine if intended results have been achieved.

**Objective D:** Satisfy customers, consistent with the independent nature of the OIG.

**Strategy:**

- establish professional communication and interaction with customers to promote the open exchange of ideas;
- incorporate customer feedback, as appropriate; and,
- be open to customer-generated solutions and options.

**Performance Measures:** Determine the timeliness and quality of products and services; their effectiveness in promoting positive change; and, reach agreement with management on at least 90% of recommendations within six months of the report issue date.

**OIG Process:** *To develop and implement processes, policies, and procedures to ensure the most effective and appropriate use of OIG resources in support of our people and products.*

**Objective A:** Maintain a dynamic strategic planning process.

**Strategy:**

- periodically review and update the strategic plan to address changing OIG and FEC priorities; and,
- identify factors that influence organizational change and develop short and long term plans to address them.

**Objective B:** Plan and conduct cost-effective work that address critical issues and results in positive change.

**Strategy:**

- solicit FEC and Congressional input in planning OIG activities;
- develop internal planning mechanisms to support FEC goals and priorities;
- ensure that priorities of IG are effectively communicated; and,
- identify specific targets for OIG review that are the most cost-effective

**Objective C:** Identify customer needs and provide products and services to meet them.

**Strategy:**

- establish new customer feed back mechanisms;
- consider and evaluate customers feedback when planning and developing products and services;
- respond to Congressional inquiries and request for briefing and testimony;
- promote open exchange of ideas and information through outreach and through use of e-mail; and,
- receive, evaluate, and respond, as appropriate, to information received through the OIG hotline and other sources.

**Objective D:** Implement efficient, effective, and consistent resolution and follow-up procedures.

**Strategy:**

- ensure that IG follow-up procedures are followed and that management is aware of their role in the process;
- establish common OIG standards for terminology, date maintenance and communications.

**Objective E:** Establish a positive and productive working environment.

**Strategy:**

- reengineer or streamline OIG procedures to achieve the most effective use of resources; and,
- ensure that necessary technologies, evolving and otherwise, are made available to staff as needed.

**Performance Measures:** An annual audit plan is issued; strategic plan is periodically reviewed; and, necessary technology is provided to staff to enable them to most efficiently perform their duties.

**OIG Staff:** *To maintain a skilled and motivated work force in an environment that fosters accountability, communications, teamwork, and personal and professional growth.*

**Objective A:** Attract and retain well-qualified, diverse and motivated employees.

**Strategy:**

- develop and implement a comprehensive recruiting program that attracts a broad population with the knowledge, skills, abilities, and expertise necessary to make meaningful contributions to the OIG;
- assess employee satisfaction and develop strategies to address employee concerns;
- identify reasons for staff departures and develop plans to foster greater staff retention; and,
- adhere to EEO principles and strive to maintain a diverse work force.

**Objective B:** Provide training and developmental opportunities to employees.

**Strategy:**

- assess training needs in relation not only to employee but also office needs as well;
- ensure that Government Auditing Standards in relation to training are adhered to; and,
- maintain a reporting system to ensure that educational requirements are met.

**Objective C:** Assess, recognize, and reward, when possible, performance that contributes to achieving the OIG mission.

**Strategy:**

- develop and articulate expectations for each employee's performance, including contributions in meeting the mission & goals of the OIG; and,
- ensure that rewards, when possible, are given in recognition of exceptional employee performance.

**Objective D:** Create and maintain a working environment that promotes teamwork and effective communication.

**Strategy:**

- ensure that communication between employees is open;
- provide employees with the tools and incentives they need to adequately perform their duties.

**Performance Measures:** All employees meet the training requirements; all employees have performance standards; and all employees meet the basic requirements for the position in which they were hired to perform.