

Federal Election Commission
Office of Inspector General



Fiscal Year 2013
Work Plan

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Inspector General

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FEC / OIG Strategic Plan – Fiscal Years 2010 - 2015



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) 2013 Annual Work Plan. This work plan includes a description of audit, inspections, investigative and special projects planned for FY 2013. The plan also sets forth the OIG's formal strategy for identifying priority issues and managing its workload and resources for FY 2013. 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.

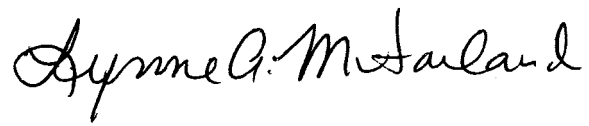
The OIG substantially completed the work planned for FY 2012 in the audit and investigative programs, as well as special projects; some of the assignments are in process spanning fiscal years 2012 and 2013. Among the audits completed in FY 2012 were the *Audit of the FEC's Fiscal Year 2011 Financial Statements*, and the *Quality Assessment Audit of the FEC's Audit Division*. The OIG also devoted resources this past FY to audit follow-up with the goal of closing outstanding audit recommendations. I am pleased to report the FEC has been able to implement some of the outstanding OIG recommendations, but a considerable amount of work remains to ensure weaknesses cited by the OIG are addressed.

In addition to the accomplishments in the audit program, the investigative program accomplished much of the work planned for 2012, to include responding to hotline complaints, OIG briefings to new employees, oversight of the OIG's hotline service, among other projects. My office also completed our first voluntary investigative peer review of another federal OIG. In addition to the investigative program, the OIG staff was actively involved in several professional working groups during the FY, to include the Council of the Inspectors General on Integrity and Efficiency Professional Development Committee, the Inspector General (IG) Candidate Recommendations Panel Committee, the IG Council of Counsels, among others. At the start of FY 2013, the OIG is fully staffed with six professional staff members, and therefore, I anticipate the OIG will successfully complete the FY 2013 work plan that follows.

The U.S. Federal Election Commission's (FEC) mission statement is "to prevent corruption in the Federal campaign process by administering, enforcing and formulating policy with respect to Federal campaign finance statutes."¹ 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

¹ Federal Election Commission, *Fiscal Year 2013 Congressional Budget Justification* (Washington, DC, February 13, 2012), 3.

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.

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 3, 2012

The Federal Election Commission

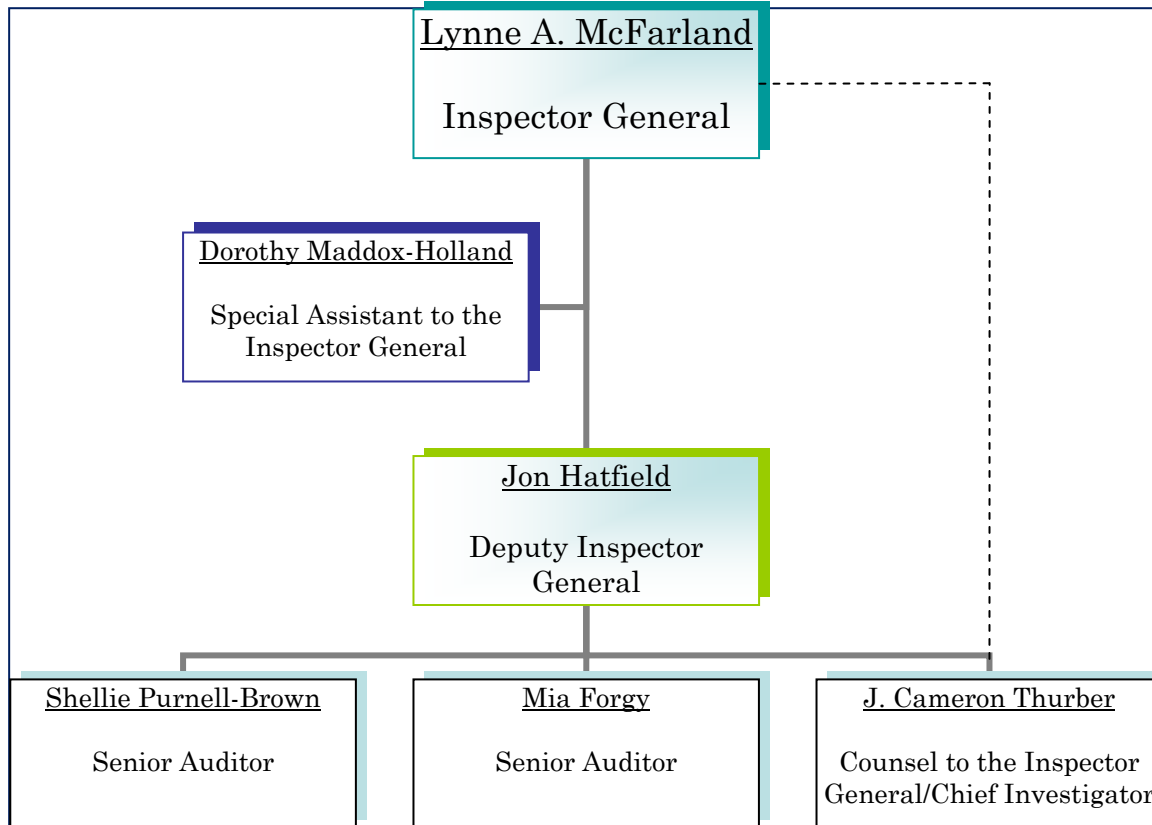
In 1975, Congress created the Federal Election Commission (FEC) to administer and enforce the *Federal Election Campaign Act* (FECA). The duties of the FEC, an independent regulatory agency, are to disclose campaign finance information; enforce the provisions of the law; and oversee the public funding 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 – Chair Caroline C. Hunter; Vice-Chair Ellen L. Weintraub; Cynthia L. Bauerly; Matthew S. Petersen; Steven T. Walther; 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 FY 2013 was \$ 1,144,237, an amount necessary 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, the OIG has a strategic plan that covers the period 2010 through 2015. Three major categories of OIG-wide goals and objectives are included in the strategic plan, 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 adopted by the OIG is based on a formal risk assessment process. The purpose of the risk assessment process is to better align OIG resources to areas that will provide the most value to the FEC. A risk assessment is a process to identify, assess, respond to, and report on opportunities and threats that affect the achievement of objectives. The OIG also solicits feedback and ideas from stakeholders throughout the year. The annual work plan 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 2012, the OIG conducted our fifth annual planning process that involved a series of OIG planning meetings to discuss the upcoming fiscal year and OIG work assignments. In addition to planning based on risk, the OIG planning process is also 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 2013 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 2013, the following assignments are planned:

1. Audit of the Federal Election Commission's 2012 and 2013 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 2012 – November 2012;
May 2013 – November 2013.*

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

The OIG will conduct a performance audit of the FEC's Human Resources (HR) Office during the first part of fiscal year (FY) 2013. 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 OIG audit will focus on two main areas, customer service and the efficient and effective use of automated processes by the agency for human resource functions. As part of the customer service assessment, the OIG will conduct an agency-wide survey of FEC staff to seek feedback on their satisfaction level of service provided by the FEC HR Office.

Planned period of audit: July – December 2012.

3. Audit of the Federal Election Commission's Budget and Financial Management Process

The OIG will conduct a performance audit of the FEC's budget and financial management process. The audit will have three primary objectives: (1) to determine whether the Office of the Chief Financial Officer provides FEC management with timely, accurate and real-time financial information to enable managers to effectively monitor and manage FEC programs; (2) to assess the benefits and costs of the FEC's financial line of business with the General Services Administration; and (3) assess year-end spending.

Planned period of audit: January – April 2013.

4. On-Going Audit Follow-up.

An important responsibility of the OIG is to follow-up on previously issued audit reports with outstanding audit recommendations. At the beginning of FY 2013, there were 143 outstanding audit recommendations representing five audits and one inspection. On-going audit follow-up during FY 2013 will consist of the following responsibilities: (1) review implemented audit recommendations to ensure the audit finding has been resolved; (2) review and comment on management's corrective action plans that detail plans for resolving outstanding audit recommendations; and (3) conduct regular meetings throughout the FY with management to discuss progress to implement audit recommendations.

Planned period of audit followup: On-going throughout FY 2013.

5. Audit Peer Review.

The OIG will complete an audit peer review of another federal OIG during the fiscal year 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.

Planned period of audit peer review: Fiscal year 2013.

6. Limited Scope Inspections.

The OIG is planning to conduct two to four limited scope, or short-term, inspections of FEC programs during FY 2013. 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.

- An inspection related to the Office of Equal Employment Opportunity was started in late FY 2012 and is expected to be completed by December 2012.
- A second inspection is expected to begin in October 2012 on the implementation of the agency's disaster recovery plan and continuity of operations plans. The inspection is expected to be completed in December 2012.
- An inspection on the FEC's compliance with the *Federal Managers' Financial Integrity Act* (FMFIA) is planned to begin in the early part of calendar year 2013 and is expected to be completed by April 2013.
- Additional inspections on the FEC's civil penalties program, FEC's information technology planning process, leasehold improvements and the agency printing program may be performed, time permitting.

7. Additional Work Assignments.

Additional work assignments may be undertaken during FY 2013 based on available OIG resources, benefit to the agency, and other relevant factors. Priorities may be adjusted to reflect emerging issues during the FY.

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 2013, the following investigative assignments are planned:

1. Manage Hotline Complaints and Investigation Caseload.

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

2. 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 will continue to pursue direct read-access for OIG personnel as part of the OIG's proactive initiatives to prevent fraud, waste, abuse and misconduct.

3. Investigative Peer Review.

The FEC OIG participates in the Council of Inspectors General on Integrity and Efficiency voluntary peer review program for smaller OIGs, and the FEC OIG is expected to be peer reviewed during FY 2013. The objective of the peer review is to determine whether internal control systems are in place and operating effectively to provide reasonable assurance that professional investigative standards are being followed. Specifically, the external peer review team will analyze FEC OIG existing policies and procedures, conduct interviews with selected OIG management officials and the investigator, and sample closed investigative files and other administrative records, as warranted.

Planned period of investigative peer review: Fiscal year 2013.

4. Outreach.

In FY 2011, the OIG conducted a series of OIG briefings with FEC division management and staff. The briefings were intended to educate FEC staff about the mission and authority of the OIG, and how to report fraud, waste, abuse or mismanagement to the OIG. In FY 2012, the OIG worked with the Office of the Chief Financial Officer to identify the contractor personnel for the agency. The OIG plans to provide fraud briefings to the contractor personnel in FY 2013. Discussion and education on fraud will help contractors to identify and report suspected fraud and help reduce the number of fraud cases. The briefings will also discuss the OIG's hotline service and how contract personnel can report fraud, waste and abuse to the OIG.

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 FY 2013. 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 FY and the OIG will prioritize our workload to respond to the additional requirements.

For fiscal year 2013, 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: monthly CIGIE meetings; 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 director level meetings, and management and FEC town-hall meetings during the FY.

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 31st and September 30th 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 during the fiscal year to maintain and improve their knowledge, skills and abilities.

4. Update Audit and Investigative Manuals.

The OIG will update the office's audit and investigative manuals in FY 2013. The updated audit manual will incorporate recent changes to the Government Auditing Standards, and the investigative manual update will reflect changes and additions to the OIG's investigative program.

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.