



SEMIANNUAL REPORT TO CONGRESS
OCTOBER 1, 2011 – MARCH 31, 2012

MAY 2012



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

OFFICE OF THE CHAIR

May 21, 2012

The Honorable John A. Boehner
Speaker of the House of Representatives
Washington, D.C. 20515

Dear Mr. Speaker:

Pursuant to the *Inspector General Act of 1978*, as amended, the Federal Election Commission submits the Office of Inspector General's *Semiannual Report to Congress*. The report summarizes the activity of the FEC Office of Inspector General ("OIG") from October 1, 2011 through March 31, 2012. During this reporting period, the FEC's Inspector General completed, with the assistance of contract auditors, the annual audit of the FEC's financial statements.

We are pleased to report that the Commission received an unqualified (or clean) opinion on the required statements: the FEC's Balance Sheet as of September 30, 2011, and the related Statements of Net Costs, Changes in Net Position, Budgetary Resources, and Custodial Activity for the year then ended. This marks the third consecutive year with no material weaknesses identified. The auditors observed, however, two deficiencies in internal controls. The response of FEC management to the issues noted by the auditors appears in the report, which was issued on November 14, 2011.

During the semiannual period, the OIG also completed an inspection of the FEC's building security system. The inspection report was released in December 2011 and identified four findings. Management's responses to the findings and recommendations are discussed in detail in that inspection report.

The Commission appreciates and shares the Inspector General's commitment to sound financial and management practices, and looks forward to continuing its cooperative working relationship as management takes appropriate measures to improve operations of the Commission. Copies of the *Semiannual Report to Congress* are being provided to the Chairmen and Ranking Members of the FEC's oversight committees.

On behalf of the Commission,

A handwritten signature in blue ink that reads "Carol C. Hunter".

Caroline C. Hunter
Chair

Enclosure

MANAGEMENT REPORT ON
INSPECTOR GENERAL ISSUED REPORTS
WITH QUESTIONED COSTS
FOR THE SIX-MONTH PERIOD ENDING MARCH 31, 2012

	<u>Number of Reports</u>	<u>Questioned Costs</u>	<u>Unsupported Costs</u>
A. Reports for which no management decision has been made by commencement of the reporting period	0	0	[0]
B. Reports issued during the reporting period	0	0	[0]
Subtotals (A + B)	0	0	[0]
C. Reports for which a management decision was made during the reporting period	0	0	[0]
(i) Dollar value of disallowed costs	0	0	[0]
(ii) Dollar value of costs not disallowed	0	0	[0]
D. Reports for which no management decision has been made by the end of the reporting period	0	0	[0]
E. Reports for which no management decision was made within six months of issuance	0	0	[0]

MANAGEMENT REPORT ON
INSPECTOR GENERAL ISSUED REPORTS WITH
RECOMMENDATIONS TO PUT FUNDS TO BETTER USE
FOR THE SIX-MONTH PERIOD ENDING MARCH 31, 2012

	<u>Number of Reports</u>	<u>Funds to be Put To Better Use</u>
A. Reports for which no management decision has been made by the commencement of the reporting period	0	0
B. Reports issued during the reporting period	0	0
C. Reports for which a management decision was made during the reporting period	0	0
(i) Dollar value of recommendations that were agreed to by management	0	0
- Based on proposed management action	0	0
- Based on proposed legislative action	0	0
(ii) Dollar value of recommendations that were not agreed to by management	0	0
D. Reports for which no management decision has been made by the end of the reporting period	0	0
E. Reports for which no management decision was made within six months of issuance	0	0

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FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

Office of Inspector General

A MESSAGE FROM THE INSPECTOR GENERAL

This report summarizes the work completed by the Office of Inspector General (OIG) for the semiannual reporting period October 1, 2011 – March 31, 2012. The activities highlighted in this report demonstrate our continuing commitment to the promotion of integrity, accountability, efficiency and effectiveness in the programs and operations of the Federal Election Commission (FEC). We have devoted a significant amount of resources this reporting period in attempting to improve the FEC’s closing of recommendations contained in OIG audit reports. The OIG has instituted a policy of meeting quarterly with the management officials responsible for implementing the actions contained in their respective Corrective Action Plans (CAP). During these meetings we discuss the actions contained in the CAPs management has taken or intends to take and the time frame expected to fulfill the recommendations in our audit reports. We also use this time to close those recommendations that we feel have been properly addressed. The OIG intends to present the results of these meetings to the Commission and use this opportunity to make the Commission aware of any concerns we may have in this area.

While making follow-up of audit recommendations a priority this reporting period, we have also undertaken several other projects contained in our annual work plan to cover various areas of the FEC, in addition to conducting an investigative peer review of another Office of Inspector General. The results of these efforts are contained in this report.

The staff of the OIG has also been active in furthering their knowledge and experience through various training initiatives and participating in Council of Inspectors General on Integrity and Efficiency’s (CIGIE) committees and workshops.

A handwritten signature in black ink that reads "Lynne A. McFarland".

Lynne A. McFarland
Inspector General
Federal Election Commission

April 27, 2012

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EXECUTIVE SUMMARY

The *Inspector General Act of 1978*, as amended, states that the Inspector General is responsible for conducting audits, inspections, investigations, and recommending policies and procedures that promote economic, efficient, and effective use of agency resources and programs that prevent fraud, waste, abuse, and mismanagement. The IG Act also requires the Inspector General to keep the Commission and Congress fully and currently informed about problems and deficiencies in the Commission's operations and the need for corrective action.

This semiannual report includes the major accomplishments of the Federal Election Commission (FEC) Office of Inspector General (OIG), as well as relevant information regarding additional OIG activities. The executive summary highlights the most significant activities of the OIG. Additional details pertaining to each activity (audits, hotline, and investigations) can be found in subsequent sections of this report.

In November 2011, the OIG completed the *Audit of the FEC's Fiscal Year (FY) 2011 Financial Statements (OIG-11-01)*. Under contract with the OIG, the independent public accounting firm Leon Snead & Company (LSC) conducted the audit and issued an unqualified (clean) audit opinion. LSC also issued a report on internal controls that contained several audit recommendations to address two (2) significant deficiencies, which were: (1) information technology security control weaknesses; and (2) internal control weaknesses related to financial reporting. Lastly, the results of LSC's tests of compliance with laws and regulations described in their audit report disclosed no instance of noncompliance with laws and regulations that are required to be reported under U.S. generally accepted government auditing standards or OMB guidance. For detailed information pertaining

to the *Audit of the FEC's Fiscal Year 2011 Financial Statements*, see the section entitled **OIG Audit Activity** (starting on page 5).

In addition to the financial statement audit, the OIG conducted an inspection of the FEC's *Kastle Key System (OIG 11-02)*. The Kastle key program provides FEC employees and contractors with access to the main building entrance, FEC garage, elevators, and access to restricted offices (i.e. computer rooms, Finance Office). For detailed information pertaining to the OIG's *Kastle Key Inspection*, see the section entitled **OIG Inspections** (starting on page 10).

The OIG continued work on an inspection of the *FEC's Security Contract (OIG-11-03)*. The inspection commenced during the last reporting period. Physical security and access control for the FEC Building at 999 E Street, NW, Washington, DC is covered by a contract (the "Contract") with a contract guard company. The purpose of this inspection is two-fold. The first purpose is to review the Contract, policies and procedures, standing orders, and guard facilities to clarify responsibilities and authorities. This goal is informational and intended to provide FEC management with information on the responsibilities and authorities of the parties to and beneficiaries of the Contract. The second purpose is to determine compliance with selected Contract provisions, policies and procedures. The OIG anticipates completing the inspection and releasing the final report during the next reporting period.

The OIG also conducted follow-up work for prior audits with outstanding audit recommendations. In an effort to ensure audit recommendations are being properly implemented in a timely manner, the OIG started conducting quarterly meetings with management to discuss the status of management's corrective actions for the outstanding audit recommendations. During this reporting period the OIG held

separate meetings with management in regards to: 1) the *2010 Follow-up Audit of Procurement and Contract Management*; 2) the *2010 Follow-up Audit of Privacy and Data Protection*; 3) *Audit Follow-up of the FEC's Transit Benefit Program*; and 4) the *Audit of the Commission's Property Management Controls*. For details regarding the OIG's audit follow-up work, see the section entitled **OIG Audit Follow-up Activity** (starting on page 7).


In addition to the OIG's audit and inspection work, there was activity during the reporting period on hotline and investigative matters. The evaluation process of hotline complaints are conducted by the Chief Investigator and the Deputy Inspector General. During this semiannual reporting period, the OIG opened two (2) new hotline complaints in which one (1) hotline complaint was closed, and one (1) complaint was merged into an investigation. Further, the OIG has three (3) open hotline complaints as of the end of this reporting period, including one (1) that was opened prior to the current semiannual reporting period. For details regarding the OIG's hotline complaints, see the section entitled **OIG Hotline Information** (starting on page 12).

Regarding OIG investigations, the OIG closed one (1) investigation during this timeframe. The investigation involved allegations that an employee violated criminal ethics laws and regulations governing standards of conduct for federal executive branch employees. For further details regarding the OIG's investigations, see the section entitled **OIG Investigations** (starting on page 13).

Lastly, the OIG completed a voluntary investigative peer review of the Federal Trade Commission (FTC) OIG on March 28, 2012. The review was conducted

at the FTC headquarters office in Washington, DC, where we interviewed OIG investigative personnel and reviewed FTC OIG investigative policies and procedures. Additionally, we sampled four (4) case files for investigations closed during the previous 12-month period and reviewed the case files for compliance with the quality standards for investigations. We determined that the system of internal safeguards and management procedures for the investigative function of the FTC OIG in effect for the time period examined was in compliance with the quality standards established by the Council of Inspectors General on Integrity and Efficiency (CIGIE). For further details regarding the investigative peer review, see Appendix A: **Investigative Peer Review Results** (starting on page 24).

THE FEDERAL ELECTION COMMISSION



In 1975, Congress created the Federal Election Commission 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 consists 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 – Caroline C. Hunter, Chair; Ellen L. Weintraub, Vice Chair; and Commissioners Cynthia L. Bauerly; Donald F. McGahn II; Matthew S. Petersen; and Steven T. Walther.

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.

OIG AUDIT ACTIVITY

Audit of the FEC's Fiscal Year 2011 Financial Statement Audit

Assignment Number: OIG-11-01

Status: Released November 2011

http://www.fec.gov/fecig/documents/Final_FY2011_Financial_Statement_Audit_Report.pdf

The Office of Inspector General (OIG) exercised another option year with Leon Snead & Company (LSC) to conduct the Federal Election Commission's (FEC) annual financial statement audit. The entrance conference was held on April 27, 2011 and audit fieldwork commenced on May 16, 2011.

The OIG approved LSC's planning documents and audit program for the 2011 financial statement audit. The planning phase consisted of LSC briefing the OIG on any changes to the audit plan from the prior year, new or additional audit steps included in the audit plan, and any changes made due to new requirements and/or audit standards for the 2011 financial statement audit. For FY 2011, the auditors included a more detailed review of the FEC's *Intragovernmental Receipts and Reconciliations* to adhere to the Treasury Financial Manual Bulletin No. 2011-04. In addition, LSC also added audit testing steps to review the FEC's controls over copyright applications and software.

During the review and evaluation phase, LSC followed up with management regarding the status of prior year findings and recommendations. Further, LSC reviewed FEC's compliance with applicable laws and regulations and the existence and effectiveness of internal controls. During the audit, bi-weekly status meetings were held with the auditors, OIG and FEC management to discuss audit issues and provide an update of the audit process.

The OIG provided assistance to the LSC auditors to complete new audit steps for reviewing the controls over copyright applications and software. The OIG assisted in retrieving the proper audit documentation from management for the auditors to review. In addition, the auditors met with the Chair and Vice Chair of the Commission to fulfill the requirements of SAS 114: *Communication with Those Charged with Governance*. The auditors provided the Chair and Vice Chair with an explanation of their audit role and responsibilities, an update regarding the progress of the audit, and the audit issues identified and provided to management.

Upon completion of the interim testing phase, the OIG reviewed LSC's interim audit workpapers. The OIG also reviewed the notice of findings and recommendations (NFR) prior to distribution to management. The review and evaluation phase and interim testing phase identified twelve (12) audit issues that were provided to management as NFRs.

Final audit testing began in October and status meetings were held weekly during that month. There were no additional NFRs issued to management as a result of the final audit testing. The auditors provided the final draft audit report with management comments to the OIG for review and the final audit report was released on November 14, 2011. The auditors issued an unqualified (clean) audit opinion. In addition, testing of internal controls identified no material weaknesses. The auditors did identify one (1) significant deficiency in internal controls over financial reporting, and one (1) significant deficiency related to internal controls for the FEC's agency-wide information technology security program. The results of the tests of compliance with certain provisions and laws and regulations disclosed no instance of noncompliance that is required to be reported under Government Auditing Standards.

Quality Assessment Review of the FEC Audit Division

Assignment Number: OIG-12-01

Status: In Progress

The quality control assessment audit of the FEC Audit Division commenced during this reporting period. The FEC Audit Division (AD) is responsible for conducting audits of political committees, and presidential campaigns and convention committees that accept public funds. In addition, the AD is responsible for evaluating the Presidential primary candidates' applications for matching funds and determining the amount of contributions that may be matched with federal funds.

The primary objective of the audit is to ensure that the FEC Audit Division's quality control system is suitably designed and consistently complied with to the extent necessary to reasonably ensure compliance with professional audit standards (best practices) and policies. This audit is intended to model a peer review, a review commonly performed on both federal and non-federal audit departments. When assessing AD's system of quality control, we considered best practices based on applicable standards included in Generally Accepted Government Auditing Standards (GAGAS) and/or Generally Accepted Auditing Standards (GAAS) established by the American Institute of Certified Public Accountants.

During our audit, we interviewed AD personnel to obtain an understanding of the nature of the AD organization and the audit process used to conduct committee audits. Based on this initial assessment, we selected a sample of audits completed during the established audit period. The scope of audits tested entailed an examination of the related audit workpapers and reports to ensure auditors

consistently adhere to applicable auditing standards and policies; audit conclusions are properly supported with sufficient and competent evidence; supervisory review of audits is timely throughout the conduct of audits; and other requirements that contribute to quality audits. In addition, to ensure conformity with professional standards related to continuing professional education (CPE), we performed testing to determine if the audit staff regularly obtains adequate training to ensure audits are conducted in accordance with professional auditing standards (best practices).

The OIG held a preliminary exit conference with the AD on March 28, 2012 to discuss potential audit issues and audit testing was completed on March 30, 2012. The OIG is currently drafting the notice of findings and recommendations (NFR) to be distributed to AD management for review and comment, which will then be incorporated into the draft report.

We anticipate issuing the final report during the next reporting period. The OIG is confident this audit will prove to be valuable to the Commission as the OIG determines whether the AD's system of quality control and audit processes are operating effectively.

OIG AUDIT FOLLOW-UP ACTIVITY

2010 Follow-up Audit of Procurement and Contract Management

Assignment Numbers: OIG-10-02

Status: On-Going, Continuous Monitoring

In June 2011, the Office of Inspector General (OIG) released the *2010 Follow-up Audit of Procurement and Contract Management* report. The purpose of the 2010 audit was to conduct a follow-up review of the *2008 Audit of Procurement and Contract Management - OIG-08-02* to determine whether management implemented the agreed actions for each of the fifteen (15) recommendations and whether each of the nine (9) audit findings contained in the 2008 audit report had been fully resolved. The 2010 follow-up audit was awarded to and conducted by the audit firm Cherry, Bekaert & Holland (CBH) LLP.

Based on the audit firms' review, the auditors determined that twelve (12) of the fifteen (15) previous recommendations remained open, and the auditors identified seventeen (17) new recommendations, for a total of twenty-nine (29) recommendations. Management prepared a corrective action plan (CAP) to detail the plans to implement the audit recommendations. The OIG initiated during this reporting period quarterly meetings with management to discuss the status of outstanding audit recommendations.

The OIG held quarterly meetings with the Chief Financial Officer (CFO) on December 13, 2011 and March 28, 2012 to determine the status of the outstanding audit recommendations. During the December 2011 meeting, the CFO stated that all recommendations were still *open* and would not be completed until Directive 66 (planned

procurement policy) was finalized and approved by the Commission. When the OIG met with the CFO in March 2012, it was determined that limited progress had been made and all twenty-nine (29) recommendations are still outstanding. The CFO continued to report that progress on outstanding audit recommendations had been delayed pending the approval of the new procurement directive, as well as a vacancy in the Procurement Director position and other staffing gaps.

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

Assignment Number: OIG-08-03

Status: On-Going, Continuous Monitoring

In July 2009, the OIG released the *Audit Follow-up Review of the FEC's Employee Transit Benefit Program* audit report. The purpose of the audit was to verify whether management had adequately implemented the OIG's recommendations included in the *2006 Audit of the FEC's Employee Transit Benefit Program - OIG-06-01* audit report released February 2007. During the 2009 follow-up review, the OIG also assessed the adequacy of program policies and operating procedures, verified employee compliance with program participation requirements, and ensured that appropriate internal controls were in place.

The 2009 audit follow-up determined that twenty-one (21) of the twenty-five (25) previous recommendations from the 2006 audit were still open and the OIG identified thirty (30) new recommendations that would help strengthen the FEC's internal controls over transit benefits, for a total of fifty-one (51) recommendations. Management provided a revised

corrective action plan (CAP) in September 2009 and has been required to provide semiannual status updates to the Commission on their progress in implementing the outstanding audit recommendations. In addition, the OIG has implemented quarterly meetings with management to discuss the status of the outstanding audit recommendations.

The OIG met with the Transit Benefit program manager on December 7, 2011 to verify if management had adequately implemented the recommendations. The Transit Benefit program manager provided supporting documentation and information to support their implementation for several of the audit recommendations. The OIG reviewed and assessed the information provided, followed up with additional questions, and received additional information from the Transit Benefit program manager on tasks that had been completed since the December 2011 meeting. The OIG held another quarterly meeting with the Director of the Office of Human Resources (OHR) on March 29, 2012 to provide an update to management of the OIG's follow-up review, obtain an official status of the outstanding recommendations, and identify additional supporting documentation that could be used to verify if any of the open audit recommendations have been properly implemented.

Out of the fifty-one (51) audit recommendations included in the CAP, the OIG was able to close twenty-six (26) based on a combination of system enhancements to the SmartBenefits program which has further automated the transit benefits process, as well as implementation of system controls and monitoring controls implemented by the Transit Benefit program management team.

The OIG intends to obtain and review additional documentation from the OHR staff related to twelve

(12) of the twenty-five (25) open recommendations which, once confirmed, should then be subsequently closed.

Audit of the Commission's Property Management Controls

Assignment Number: OIG-09-02

Status: On-Going, Continuous Monitoring

In March 2010, the OIG released the *Audit of the Commission's Property Management Controls* audit report. During this audit, the OIG reviewed the use of agency issued personal communications devices (PCDs) (Blackberry phones), government vehicles, and agency charge cards. PCDs are managed by the FEC Office of Information Technology (OIT) and the government vehicles and charge cards are managed by the FEC Administrative Services Division (ASD).

The audit identified five (5) findings and the OIG made thirty-six (36)¹ audit recommendations that would help strengthen the FEC's internal controls over property. Management provided their initial corrective action plan (CAP) in May 2010 and has been required to provide semiannual status updates to the Commission on their progress in implementing the outstanding audit recommendations. The OIG met with the ASD manager and the Deputy Chief Information Officer (CIO) of Operations December 13, 2011 to verify if management had adequately implemented the recommendations contained in the audit report. The ASD manager and the Deputy CIO of Operations provided supporting documentation and information to

¹ Ten (10) audit recommendations relate to government vehicles and charge cards; the remaining twenty-six (26) recommendations are related to PCDs.

support their implementation for several of the audit recommendations.

For the audit recommendations related to FEC's government vehicles and charge cards, the OIG reviewed the information provided, followed up with additional questions, and received additional information from ASD on tasks that had been completed since the December meeting. The OIG scheduled the next quarterly meeting with the ASD manager on March 28, 2012 to provide an update to management of the OIG's review and give an official status of the outstanding recommendations. Out of the ten (10) audit recommendations that ASD is responsible for implementing, the OIG was able to close four (4) based on adequate implementation. The status of the remaining six (6) audit recommendations will be reviewed by the OIG during the next quarterly meeting in June 2012.

For those audit recommendations related to agency issued PCD's, the OIG is still working with the Deputy CIO of Operations and his staff to receive additional information and documentation to verify that audit recommendations have been properly implemented.

2010 Follow-up Audit of Privacy and Data Protection

Assignment Number: OIG-10-03

Status: On-Going, Continuous Monitoring

In March 2011, the OIG released the *2010 Follow-up Audit of Privacy and Data Protection* audit report. The OIG contracted with Cherry Bekaert & Holland (CBH) to perform the follow-up audit on the findings and recommendations identified in the *2006 Inspection Report on Personally Identifiable*

Information and the 2007 Performance Audit of Privacy and Data Protection. The objective of the 2010 follow-up audit was to assess the FEC privacy team's implementation of the agreed upon audit recommendations and determine whether each audit finding had been fully resolved from the two (2) prior reports.

The 2010 audit follow-up identified thirteen (13) audit findings and forty five (45) new and repeat audit recommendations. The FEC's privacy team provided their initial corrective action plan (CAP) in May 2011. The OIG met with the privacy team on December 12, 2011 to discuss the outstanding audit recommendations. After the meeting, the privacy team provided several emails and documents to support the corrective actions that the privacy team had implemented to support closing the audit recommendations. The OIG reviewed the information and has scheduled a meeting in May 2012 with the FEC privacy team to discuss the outstanding audit recommendations.

OIG INSPECTIONS

Kastle Key Inspection

Assignment Number: OIG – 11-02

Status: Released December 2011

*[http://www.fec.gov/fecig/documents/
KastleKeyInspectionReport.pdf](http://www.fec.gov/fecig/documents/KastleKeyInspectionReport.pdf)*

The OIG completed an inspection of the FEC's Kastle Key system. Kastle is the building security system that is utilized to control physical access to the FEC building during non-working hours. This inspection was based upon the OIG's annual work-plan and previous OIG audits and investigations that identified weaknesses with the Kastle Key system. The purpose of this inspection was to identify any management processes or controls concerning the FEC's Kastle Key system that can be improved, and provide management with recommendations to help strengthen this function.

The scope of the inspection included a review of the controls over the Kastle Key system and the overall process for managing Kastle keys. The inspection included a review of the adequacy of policies and procedures for managing access to the building with the Kastle keys, and performing tests to determine if current management control activities are operating effectively.

The OIG held an entrance conference to provide management with an understanding of the purpose, scope, and inspection plan for the Kastle Key Inspection. The OIG reviewed applicable policies and procedures and completed detailed testing to assess the accuracy of the agency's Kastle records and the effectiveness of their overall business process. On October 13, 2011 the OIG held a status meeting with the Administrative Services Division (ASD) to discuss potential issues. On November

21, 2011 the OIG provided ASD with four (4) notice of findings and recommendations (NFR) for their review and response. Management provided their response to the NFRs on December 7, 2011 and the OIG incorporated management's response in the draft inspection report and provided the complete draft report to management for review and comment. Management provided their comments to the draft report and the final Kastle Key Inspection report was released December 29, 2011. The inspection resulted in four (4) findings and fifteen (15) recommendations to improve the internal controls of the Kastle Key system.

2011 Security Inspection

Assignment Number: OIG – 11-03

Status: In Progress

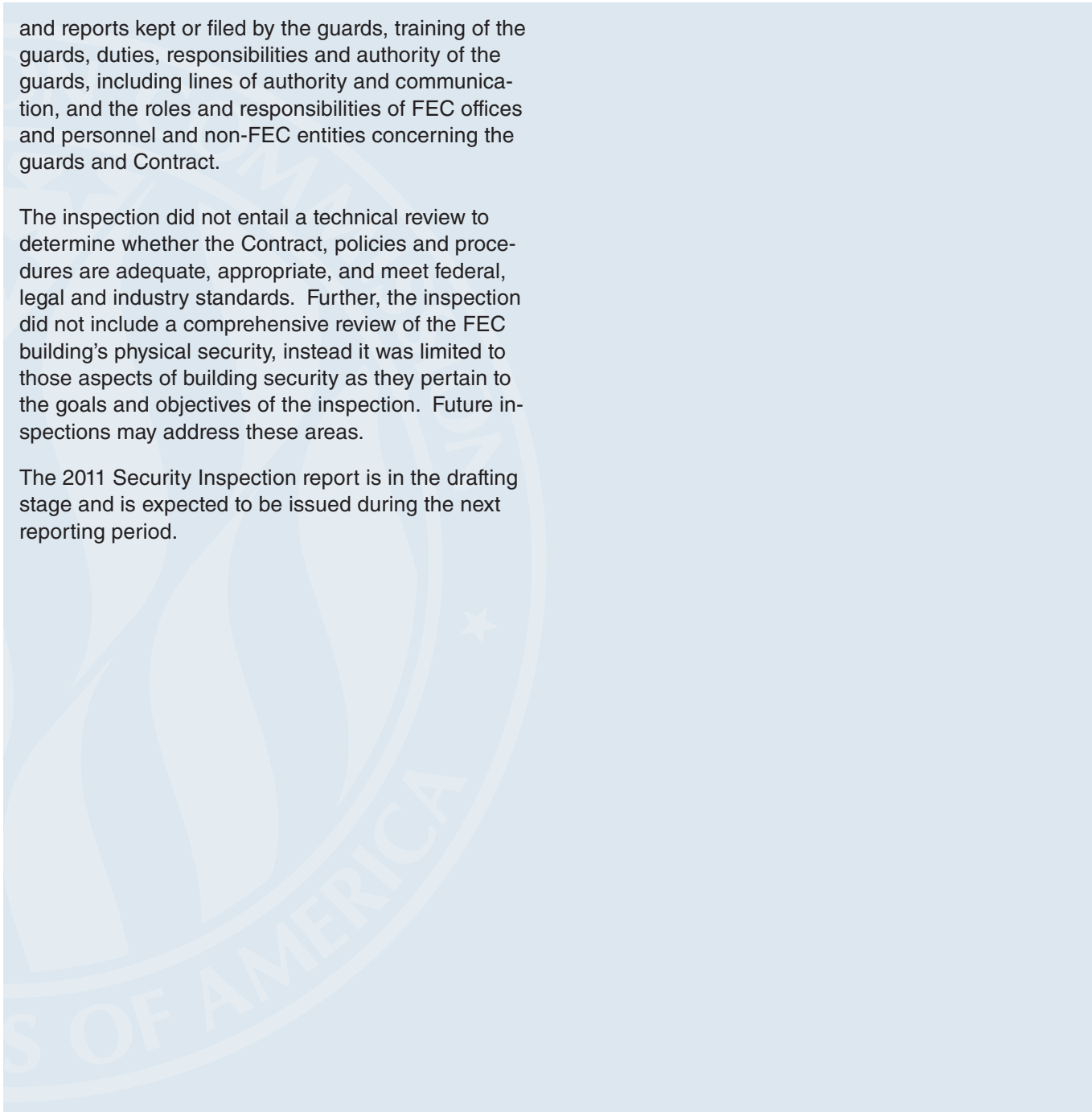
The inspection of the FEC's Security Contract commenced during the last reporting period. Physical security and access control for the FEC Building at 999 E Street, NW, Washington, DC is covered by a contract (the "Contract") with a contract guard company. The purpose of this inspection is two-fold. The first purpose is to review the Contract, policies and procedures, standing orders, and guard facilities to clarify responsibilities and authorities. This goal is informational and intended to provide FEC management with information on the responsibilities and authorities of the parties to and beneficiaries of the Contract. The second purpose is to determine compliance with selected Contract provisions, policies and procedures.

The inspection field work and document review was completed during this reporting period, and encompassed a review of the Contract; relevant policies, procedures, and standing orders concerning the Contract, types of routine and incident logs, forms

and reports kept or filed by the guards, training of the guards, duties, responsibilities and authority of the guards, including lines of authority and communication, and the roles and responsibilities of FEC offices and personnel and non-FEC entities concerning the guards and Contract.

The inspection did not entail a technical review to determine whether the Contract, policies and procedures are adequate, appropriate, and meet federal, legal and industry standards. Further, the inspection did not include a comprehensive review of the FEC building's physical security, instead it was limited to those aspects of building security as they pertain to the goals and objectives of the inspection. Future inspections may address these areas.

The 2011 Security Inspection report is in the drafting stage and is expected to be issued during the next reporting period.



OIG HOTLINE INFORMATION

The OIG hotline exists to enable FEC employees, FEC contractors, and the public to have direct and confidential contact with the OIG. All allegations or referrals of fraud, waste, abuse, mismanagement, and misconduct involving FEC employees, contractors, programs, operations, property, or funds received through any means are termed “hotline complaints” per OIG policy. Once a hotline complaint has been received, a preliminary inquiry is conducted to determine whether the hotline complaint will be closed with no further action taken, referred to management or another agency, or an investigation will be initiated.


The OIG considers many factors when evaluating whether to open an investigation based on a hotline complaint, and acknowledges that every hotline complaint received by the OIG cannot be investigated and in many cases do not merit investigation. OIG policy requires that hotline complaints be evaluated on certain criteria, including the merits of an allegation, the availability of evidence, and the existing priorities, commitments, and resources of the OIG. Under this policy, hotline complaints are classified as either high or low priority complaints. High priority complaints are investigated and low priority complaints are either closed with no action or referred to the appropriate official for possible further review. Hotline evaluation decisions are made by the Chief Investigator, with concurrence from the Deputy IG.

During this semiannual reporting period, two (2) new hotline complaints were opened and one (1) hotline complaint was closed; one (1) hotline was closed and merged into an investigative case. The OIG has three (3) open hotline complaints as of the close of this reporting period, including one (1) that was opened prior to the beginning of this reporting period.

The OIG frequently receives reports and allegations which are misdirected complaints that should have been routed to the FEC Office of Complaints and Legal Administration within the Office of General Counsel (OGC), are outside the jurisdiction of the OIG or the FEC, or are facially unsubstantiated, meritless or invalid. For example, Section 437g of the *Federal Election Campaign Act of 1971*, as amended (FECA), sets forth strict requirements for reporting alleged violations of FECA, and FEC regulations direct that such complaints be filed directly by the complainant and processed through OGC; still, the OIG regularly receives complaints of alleged FECA violations, many of which are not statutorily compliant. In some cases, such as with complaints alleging FECA violations, a response is sent to the individual referring him or her to the proper office or other agency. In other cases, such as questions concerning the FEC that do not pertain to the OIG, the inquiry may be redirected and sent to the appropriate office or agency directly from the OIG. Reviewing and, where appropriate, responding to these reports and allegations when aggregated can entail a significant amount of staff time and effort, despite the fact that they are not valid hotline complaints.

In order to capture and document these hotline contacts, the OIG created a category for “hotline inquiries” that do not meet the criteria for hotline complaints. For this reporting period, the OIG received one hundred and four (104) hotline inquiries. Ninety-eight (98) of the hotline inquiries were referred or redirected to other FEC offices, and two (2) were referred or redirected to another agency. No further action was taken in four (4) of the hotline inquiries.

OIG INVESTIGATIONS



OIG investigations seek out facts related to allegations of wrongdoing. OIG investigations may address administrative, civil, and criminal violations of laws and regulations. The subject of an OIG investigation can be any agency employee, an FEC contractor, consultant, or a person or entity involved in alleged wrongdoing affecting FEC programs and operations.

As discussed in *OIG Hotline Information*, all hotline complaints are evaluated to determine if they warrant an investigation. If an investigation is opened, the hotline complaint is closed and merged into the investigative file. OIG investigations involve a detailed examination or inquiry into issues brought to our attention by various sources, and may include interviews of relevant witnesses and subjects, document reviews, and computer forensic examinations. At the conclusion of an OIG investigation, the OIG prepares a report that sets forth the allegations and an objective description of the facts developed during the investigation.

As of the end of the semiannual reporting period, one (1) investigation, opened during the prior reporting period, was closed. The closed investigation involved allegations that an employee violated criminal ethics law and regulations governing standards of conduct for federal executive branch employees. The allegations were not substantiated, the Office of the United States Attorney for the District of Columbia declined prosecution, and a report of investigation was issued to the Commission.

ADDITIONAL OIG ACTIVITY

Besides conducting audits, inspections, and investigations, the OIG performs, and is involved in an array of additional projects and activities. 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 also reviews and provides comments, when appropriate, on legislation provided by the Council of Inspectors General on Integrity and Efficiency (CIGIE) Legislative Committee. In addition, the Inspector General routinely reads all Commission agenda items. Listed below are examples of the OIG's additional activities:

- The OIG completed the *Improper Payments Elimination Recovery Act* (IPERA) report which was submitted to the Commission and Congress. The IPERA will complement and help implement the Administration's campaign against improper payments. Specifically, the bill will improve agency efforts to reduce and recover improper payments in several ways including: 1) identification and estimation of improper payments; 2) payment recapture audits; 3) use of recovered improper payments; and 4) compliance and non-compliance requirements.
- The OIG reviewed and provided FEC management with the annual Management Challenges for inclusion in the FEC's 2011 Performance and Accountability Report.

OIG Employee Award

The Chief Investigator/Counsel to the IG (below) received an award from the Council of Counsels to the Inspectors General (CCIG) for his Outstanding Contribution to the Inspector General Community.



James Cameron Thurber,
Chief Investigator/Counsel to the IG

COUNCIL OF THE INSPECTORS GENERAL ON INTEGRITY AND EFFICIENCY (CIGIE) ACTIVITY

The Inspector General continues to be very involved in CIGIE. She is a member of the Executive Council, which is composed of the Chair, Vice Chair, the past Vice Chair of the PCIE, all Committee Chairs, and one member appointed by the Chair. The Executive Council provides guidance on CIGIE initiated projects, the operating plans for each fiscal year, and the general business of CIGIE. The Council meets monthly to discuss issues that will affect CIGIE.

The Inspector General also chairs the Inspector General Candidate Recommendation Panel. This panel is charged with making recommendations of qualified candidates to the White House and heads of various federal agencies to be considered for vacant Inspector General positions.

The Inspector General is Vice Chair of the Professional Development Committee. This committee is charged with ensuring there is strong, relevant training for the Inspector General community. Part of the charge of the committee, is to establish training academies for each of the professional designations in the IG community. This is an on-going project.

During this semiannual reporting period, the IG responded to a questionnaire from CIGIE Legislative Committee concerning whistleblower protection for contract employees; the IG also provided CIGIE with comments to the draft Progress Report to the President for FY 2011; provided comments to CIGIE for the annual business plan; and continues to receive and forward applications for IG positions to remaining members of the CIGIE panel.

The IG participated in a conference call with the Chair and Vice Chair of CIGIE concerning a request from an IG nominee; the IG also conducted a conference call with IGs at U.S. Postal Service and Commerce Department and met with a representative from the White House Office of Personnel

and Chair of CIGIE to discuss candidates for Presidentially appointed positions.

OIG CONTACTS

The table below indicates the total amount of contacts received by the Office of Inspector General for the past six months – October 1, 2011 through March 31, 2012.

These contacts were made through various sources such as telephone calls, e-mails, faxes, U.S. mail, and personal visits to the OIG.

TOTAL CONTACTS	OIG ACTION	NO ACTION NECESSARY	FORWARDED FOR ACTION
2,108	28	2,053	27

LIST OF TRAINING, MEETINGS AND CONFERENCES

The chart listed below depicts training, meetings, programs, seminars, and/or conferences attended by the Inspector General and/or the OIG staff for the period October 1, 2011 – March 31, 2012:

MEETINGS:

HOST / SPONSOR	TOPIC / SUBJECT
Council of Inspectors General on Integrity and Efficiency	Monthly Meetings Executive Council Meetings Professional Development Committee Meetings Strategic Planning Session Annual Awards Ceremony
Council of Counsels to the Inspectors General	Monthly Meetings CCIG 2011 Awards Ceremony
Assistant Inspector General for Investigations	Quarterly Meetings
Financial Statement Audit Network	Monthly Meetings
Federal Election Commission	Weekly Director’s Meetings Finance Committee Meetings Administrative Liaison Group Meetings Town Hall Meeting Commission Hearing Employee Recognition Awards Ceremony
FEC / Office of Inspector General	Bi-weekly Staff Meetings Annual Risk Assessment Meeting Financial Statement Audit: Status Meeting Exit Conference

TRAINING/CONFERENCES:

HOST / SPONSOR	TOPIC / SUBJECT
Association of Government Accountants	Federal Financial Systems Summit Training
CCH Group	2011 TeamMate Conference
Executive Women in Government	9th Annual Summit and Training Conference
Federal Audit Executive Council	Improper Payments and Analysis of Recipient Information and Reporting
Federal Election Commission	Retirement Seminars (FERS & CSRS) Advanced Excel Training COTR Training
Inspector General Criminal Investigator Academy	Training Officers Seminar
Institute of Internal Auditors	Positioning your Audit Shop for Success Auditing the Control Environment
American University	New Leadership Development Program (2nd session)
Council of Inspectors General on Integrity and Efficiency	OIG Suspension and Debarment Conference Human Capital Framework Training Human Resources Evaluator Training Audit Peer Review Training
Association of Certified Fraud Examiners	Data Mining and Predictive Analytic Tools in Preventing/ Detecting Fraud Training Social Media and Implications to the Fraud Community Training
John E. Reid & Associates	The Reid Technique of Interviewing and Interrogation Training
Management Concepts	Internal Controls: Meeting Federal Requirements for Accountability

HOST / SPONSOR	TOPIC / SUBJECT
SkillPath/Rockhurst University	Secrets of Successful Critical Thinking and Creative Problem Solving Creating a Professional Development Plan Developing your Emotional Intelligence 2012 Women's Conference The Extraordinary Assistant Administrative Assistants Conference
USDA Graduate School	Proofreading Training Managing Multiple Priorities
U.S. Department of Justice	Privacy Act and Freedom of Information Act Training

REPORTING REQUIREMENTS

Reporting requirements required by the *Inspector General Act of 1978*, as amended by the *Inspector General Act Amendments of 1988* are listed below:

IG ACT	DESCRIPTION	PAGE
Section 4(a)(2)	Review of Legislation	14
Section 5(a)(1)	Significant Problems, Abuses, and Deficiencies	None
Section 5(a)(2)	Recommendations with Respect to Significant Problems, Abuses, and Deficiencies	None
Section 5(a)(3)	Recommendations Included in Previous Reports on Which Corrective Action Has Not Been Completed (Table III)	23
Section 5(a)(4)	Matters Referred to Prosecuting Authorities	None
Section 5(a)(5)	Summary of Instances Where Information was Refused	None
Section 5(a)(7)	Summary of Significant Reports	5
Section 5(a)(8)	Questioned and Unsupported Costs (Table I)	21
Section 5(a)(9)	Recommendations that Funds be put to Better Use (Table II)	22
Section 5(a)(10)	Summary of Audit Reports issued before the start of the Reporting Period for which no Management Decision has been made	N/A
Section 5(a)(11)	Significant revised Management Decisions	N/A
Section 5(a)(12)	Management Decisions with which the Inspector General is in Disagreement	None

TABLE I

INSPECTOR GENERAL ISSUED REPORTS WITH QUESTIONED COSTS (DOLLAR VALUE IN THOUSANDS)

	NUMBER	QUESTIONED COSTS	UNSUPPORTED COSTS
A. For which no management decision has been made by commencement of the reporting period	0	0	0
B. Which were issued during the reporting period	0	0	0
Sub-Totals (A&B)	0	0	0
C. For which a management decision was made during the reporting period	0	0	0
(i) Dollar value of disallowed costs	0	0	0
(ii) Dollar value of costs not disallowed	0	0	0
D. For which no management decision has been made by the end of the reporting period	0	0	0
E. Reports for which no management decision was made within six months of issuance	0	0	0

TABLE II

INSPECTOR GENERAL ISSUED REPORTS WITH RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE

	NUMBER	DOLLAR VALUE (IN THOUSANDS)
A. For which no management decision has been made by the commencement of the reporting period	0	0
B. Which were issued during the reporting period	0	0
C. For which a management decision was made during the reporting period	0	0
(i) dollar value of recommendations were agreed to by management	0	0
based on proposed management action	0	0
based on proposed legislative action	0	0
(ii) dollar value of recommendations that were not agreed to by management	0	0
D. For which no management decision has been made by the end of the reporting period	0	0
E. Reports for which no management decision was made within six months of issuance	0	0

TABLE III

SUMMARY OF AUDIT REPORTS WITH CORRECTIVE ACTIONS OUTSTANDING FOR MORE THAN SIX MONTHS

REPORT TITLE	REPORT NUMBER	RECOMMENDATIONS			
		ISSUE DATE	NUMBER	CLOSED	OPEN
Audit Follow-up Review of the FEC's Employee Transit Benefit Program	OIG-08-03	07/09	51	26	25
Audit of the Commission's Property Management Controls	OIG-09-02	03/10	36	4	32
Federal Election ² Commission 2011 Financial Statement Audit	OIG-11-01	11/11	20	0	20
2010 Follow-up Audit ³ of Procurement and Contract Management	OIG-10-02	06/11	29	0	29
2010 Follow-up Audit ⁴ of Privacy and Data Protection	OIG-10-03	03/11	45	0	45

2 Follow-up on the 20 open recommendations will be a part of the FEC's 2012 Financial Statement Audit.

3 The 29 open recommendations include 12 of the 15 recommendations from the *2008 Procurement and Contract Management Performance Audit, OIG-08-02*. Three recommendations were closed from the 2008 audit.

4 The 45 open recommendations include 16 of the 19 recommendations from the *2006 Inspection Report on Personally Identifiable Information, OIG-06-04*, and *2007 Performance Audit of Privacy and Data Protection, OIG-07-02*. In total, three recommendations were closed from the 2006 inspection and 2007 audit.

APPENDIX A: INVESTIGATIVE PEER REVIEW RESULTS

In accordance with the *Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010* (Section 989C of P.L. 111-203), which amended Section 5 of the *Inspector General Act of 1978*, OIGs are required to include in their semiannual reports (SAR) to Congress the results of peer reviews of their offices, as well as outstanding and not fully implemented recommendations from peer reviews the OIG received from another OIG, and outstanding and not fully implemented recommendations the OIG made in any peer review it performed for another OIG.

The FEC OIG completed a voluntary investigative peer review of the Federal Trade Commission (FTC) OIG on March 28, 2012. The review was conducted at the FTC headquarters office in Washington, DC, where we interviewed OIG investigative personnel and reviewed FTC OIG investigative policies and procedures. Additionally, we sampled four (4) case files for investigations closed during the previous 12-month period and reviewed the case files for compliance with the quality standards for investigations.

We determined that the system of internal safeguards and management procedures for the investigative function of the FTC OIG in effect for the time period examined was in compliance with the quality standards established by the CIGIE. These safeguards and procedures provide reasonable assurance of conforming to professional standards in the planning, execution and reporting of its investigations.

APPENDIX B:
Federal Election Commission
Office of Inspector General



Fiscal Year 2012
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) 2012 Annual Work Plan. This work plan includes a description of audit, inspections, investigative and special projects planned for the FY. This plan also sets forth the OIG's formal strategy for identifying priority issues and managing its workload and resources for FY 2012. 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.

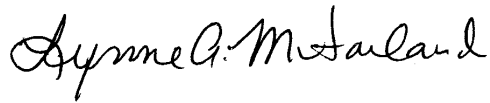
The OIG substantially completed the work planned for FY 2011 in the audit and investigative programs, as well as special projects, notwithstanding the resignation of the OIG's Senior Auditor in March 2011. Among the audits completed in FY 2011 were the FY 2010 annual financial statement audit, and two follow-up audits of procurement and privacy practices. These three audits yielded a combined total of 85 audit recommendations to improve FEC programs and operations. An audit peer review of my office was also conducted in FY 2011 and resulted in a **pass** rating, and my office also conducted a peer review of another federal OIG. Lastly, the OIG finalized a new audit manual in FY 2011.

In addition to the accomplishments in the audit program, the investigative program accomplished all of the work planned for 2011, to include responding to hotline complaints, OIG briefings to all FEC staff and the implementation of a new hotline service, among other projects. 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 2012, the OIG is fully staffed with six professional staff members, and therefore I anticipate the OIG will successfully complete the FY 2012 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

¹ Federal Election Commission, *Fiscal Year 2012 Congressional Budget Justification* (Washington, DC, February 14, 2011), 3.

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.



Lynne A. McFarland
Inspector General
Federal Election Commission

October 3, 2011

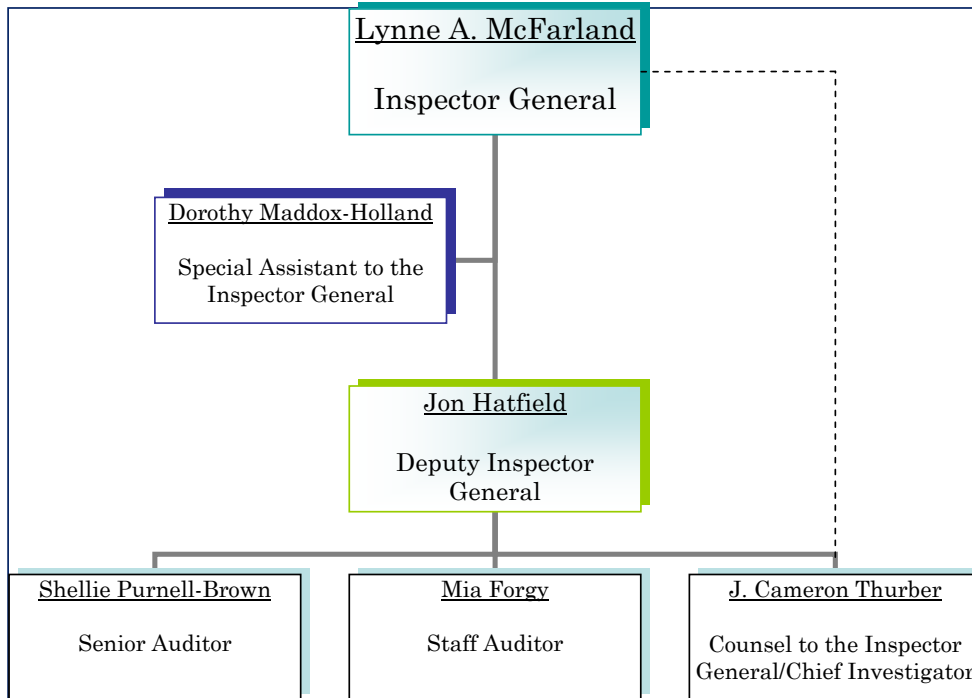
The Federal Election Commission

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 Cynthia L. Bauerly; Vice-Chair Caroline C. Hunter; Matthew S. Petersen; Ellen L. Weintraub; 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 2012 was \$ 1,062,237, 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 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 2011, the OIG conducted our fourth annual all-day brainstorming session. Similar to prior years, the ideas and suggestions generated from the 2011 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 2012 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 2012, the following audit related assignments are planned:

1. Audit of the Federal Election Commission's 2011 and 2012 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 2011 – November 2011;
May 2012 – November 2012.*

2. Quality Control Assessment of the FEC Audit Division.

The OIG will conduct a quality control assessment audit of the FEC Audit Division. The primary objectives of the audit will be to ensure that the FEC Audit Division's quality control system is suitably designed and consistently complied with to the extent necessary to reasonably ensure compliance with audit standards and policies. For example, the audit will include a review of the Audit Division's audit workpapers and reports to ensure that auditors consistently adhere to applicable auditing standards and policies; audit conclusions are properly supported with sufficient and competent evidence; auditors are properly trained; supervisory review of audits is timely throughout the conduct of audits; and other requirements that contribute to quality audits. Consistent with professional auditing standards and best practices, external quality control assessments should be conducted on a regular schedule, generally every three to five years, to ensure effective and efficient audit practices and adherence to applicable audit standards by the audit unit.

The FEC Audit Division is responsible for conducting audits of political committees, and presidential campaigns and convention committees that accept public funds. In addition, the Audit Division is responsible for evaluating the Presidential primary candidates' applications for matching funds and determining the amount of contributions that may be matched with federal funds.

Planned period of audit: November 2011 – February 2012.

3. 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 (FY) 2012. 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: March – June 2012.

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 2012, there were 130 outstanding audit recommendations representing four OIG audits. On-going audit follow-up during FY 2012 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 2012.

5. Limited Scope Inspections.

The OIG is planning to conduct four limited scope, or short-term, inspections of FEC programs during FY 2012. 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. Two inspections started in FY 2011 on building security and internal controls over Kastle Keys will be completed in early FY 2012. In addition to these two inspections, an additional four inspections are planned for FY 2012.

Planned period of inspections: FY 2012.

6. Additional Work Assignments.

Additional work assignments may be undertaken during FY 2012 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 2012, 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 is pursuing direct read-access for OIG personnel as part of the OIG's proactive initiatives to prevent fraud, waste, abuse and misconduct.

3. Investigative Peer Reviews.

The OIG will conduct an investigative peer review of another federal OIG in FY 2012. 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 FEC OIG peer review team will analyze existing policies and procedures, conduct interviews with selected OIG management officials and the investigative staff, and sample closed investigative files and other administrative records, as warranted.

Planned period of peer review: January – March 2012.

In addition to a peer review of another OIG, the FEC OIG will participate in the Council of Inspectors General on Integrity and Efficiency voluntary peer review program for smaller OIGs, and the FEC OIG will be peer reviewed during FY 2012.

Planned period of peer review: April – June 2012.

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 will continue our outreach program and conduct fraud briefings. The fraud briefings will provide information on 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 discuss the OIG's new hotline service launched in late fiscal year 2011.

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 2012. 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 2012, 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 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 and conferences during the fiscal year to maintain and improve their knowledge, skills and abilities.

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.

Federal Election Commission Office of Inspector General



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