

**FEDERAL ELECTION COMMISSION**

**OFFICE OF INSPECTOR GENERAL**



**FINAL REPORT**

**Review of Outstanding Recommendations  
as of June 2013**

**August 2013**

**ASSIGNMENT No. OIG -13-03**

# **Office of Inspector General's Review of Outstanding Recommendations**

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## **Report Overview**

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

Management has established a process to adhere to Directive 50 and provide semiannual status reports to the Commission of their progress concerning outstanding OIG recommendations. The *official status* (open/closed) of OIG recommendations is determined by the OIG once the OIG has verified that management has adequately implemented the corrective actions. The Inspector General can also make a decision to close recommendations or seek resolution from the Commission for recommendations where the OIG and management disagree. The number of outstanding recommendations is reported to the Commission and Congress in the OIG's Semiannual Reports to Congress.

This report provides the Commission with details regarding the:

- OIG's *Audit Follow-up process*, see page 2;
- *Audit follow-up meetings/communications* with management to determine the status of outstanding audit recommendations, starting on page 3:
  - a. *Audit Follow-up Review of the FEC's Employee Transit Benefit Program*, see page 4;
  - b. *Audit of the Commission's Property Management Controls*, see page 4;
  - c. *2010 Follow-up Audit of Privacy and Data Protection*, see page 5;
  - d. *2010 Follow-up Audit of Procurement and Contract Management*, see page 6;
  - e. *Inspection of FEC's Kastle Key Program*, see page 6;
  - f. *Quality Assessment Audit of the Audit Division*, see page 6;
- Additional Outstanding Recommendation Closures, see page 7; and
- OIG Concerns, see page 9.

For this review period, the OIG reviewed six audits and inspections that had a total of 114 recommendations that were outstanding for six months or more as of December 2012, the date of our last report. Collectively, the OIG closed 42 outstanding recommendations based on the OIG's review of management's implementation of corrective action, or changes made to management processes that would satisfy the audit issue. Since our December 2012 report on the status of outstanding recommendations, the *Quality Assessment Audit of the Audit Division* report, released in September 2012, was added to the audit follow-up process because the recommendations have been outstanding for more than six months. The OIG's January 2013 *Inspection of the FEC's Disaster Recovery Plan and Continuity of Operations Plans* report contained 30 recommendations, which are not included as these recommendations had not been outstanding for six months or more during this period of review. The follow-up on the status of the inspection recommendations will be reported in the next semiannual report of this kind.

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In addition, at the IG's discretion, four recommendations from the *2010 Follow-up Audit of Privacy and Data Protection* and two from the *Audit of the Commission's Property Management Controls* were closed. Management disagreed with the OIG's recommendations and decided not to apply the resources necessary to fully or adequately implement these recommendations. However, the OIG continues to believe these recommendations are important, and would reduce the risk of fraud, waste, and/or abuse to FEC programs if implemented. For details, see the *Additional Outstanding Recommendation Closures* section of this report on page 7.

### **Audit Follow-up Process**

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

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

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

FEC Directive 50 requires management to:

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

In order to work effectively with FEC management in adhering to Directive 50, and to ensure continuous monitoring and adequate and timely audit resolution, the OIG meets with management at least semiannually to discuss the progress of outstanding OIG recommendations. These meetings provide management with timely OIG feedback for their semiannual reports to the Commission and enables the OIG to keep abreast of management's progress. The OIG schedules these meetings and provides management with the results of our review prior to management's reporting deadlines to the Commission. The OIG also reports semiannually (status as of June & December) to the Commission and management on recommendations that the OIG has closed (if any) based on follow-up reviews. The semiannual meetings are also intended to assist the audit follow-up official in following provisions 4 through 6 of Directive 50, which are listed as follows:

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

### **Follow-up Meetings & Communications**

To discuss the current status and progress of each outstanding recommendation, the OIG held meetings and communicated via email with the applicable audit follow-up official, and/or management staff for each audit/inspection. Out of the six follow-up reviews, the OIG was able to close recommendations from all six audits/inspection.

Although several recommendations were closed, further corrective action from management is still needed to implement the remaining outstanding recommendations. Specifically, the OIG has concerns regarding the lack of progress and focus from the FEC's Privacy Team regarding the outstanding recommendations for the *2010 Follow-up Audit of Privacy and Data Protection*, and the Information Technology Division (ITD) regarding the *Audit of the Commission's Property Management Controls* (release date 3/2010). See the table below for a summary of progress made by FEC management and the outstanding recommendations as of June 2013.

<b><u>Outstanding Audit Recommendations Status Table</u></b>				
<b><i>Title &amp; Report Date of OIG Audits/Inspection</i></b>	<b><i>Total Outstanding Recommendations as of December 2012</i></b>	<b><i><sup>1</sup>Total Closed and Verified by OIG</i></b>	<b><i><sup>2</sup>Additional Closed</i></b>	<b><i>Total Open as of June 2013</i></b>
Audit Follow-up Review of the FEC's Employee Transit Benefit Program (7/2009)	15	7	N/A	8
Audit of the Commission's Property Management Controls (3/2010)	14	5	2	7
2010 Follow-up Audit of Privacy and Data Protection (3/2011)	38	4	4	30
2010 Follow-up Audit of Procurement and Contract Management (6/2011)	29	12	N/A	17
Inspection of the FEC's Kastle Key Program (12/2011)	7	6	N/A	1
Quality Assessment Audit of the Audit Division (9/2012)	11	8	N/A	3
<b>Total Outstanding Recommendations as of June 2013</b>				<b>66</b>

<sup>1</sup> This column includes recommendations that management has disagreed with or has not adequately implemented, and the OIG concludes that these recommendations are still 'open'.

<sup>2</sup> The numbers in this column include recommendations that were closed by the OIG, but not implemented by FEC management. See the "Additional Recommendation Closures" section on pg. 7.

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

The *December 2012 Review of Outstanding Audit Recommendations* report identified 15 open recommendations. During the period ending June 30, 2013, the OIG met with the Transit Program Manager and the Director of OHR to discuss status of open recommendations. Subsequent to the meeting, OIG obtained documentation related to some of the outstanding recommendations. Based on the OIG's review of supporting documentation, and actions taken to implement FEC Directive 54 on the transit program, we were able to close seven (7) of the 15 open recommendations.

#### **B. Audit of the Commission's Property Management Controls**

The *Audit of the Commission's Property Management Controls* (Property Audit) audit report was released in March 2010. The responsibility of implementing the audit recommendations for the Property Audit is shared by the Administrative Services Division (ASD) and the Information Technology Division (ITD). The OIG has worked with the ASD Managers<sup>3</sup> and the Deputy Chief Information Officer of Operations (Deputy CIO) to receive any updates regarding the implementation of audit recommendations.

The Property Audit report identified 36 audit recommendations; ASD is responsible for the implementation of 10 recommendations, and the ITD 26 of the 36 recommendations. In the OIG's December 2012 outstanding recommendations report, ASD had only one remaining open recommendation, in which the OIG was able close this review period. **All recommendations assigned to ASD for the Property Audit have been adequately implemented and the related findings have been officially closed.** The OIG would like to note that the current ASD manager and her staff worked diligently and cooperatively with the OIG throughout the audit follow-up process to resolve these outstanding findings. The OIG appreciates ASD's commitment to implementing the audit recommendations to ensure that FEC programs and processes are working effectively and efficiently.

ITD is responsible for the remaining 13 recommendations still outstanding as of the December 2012 report. For this review period, the OIG requested that ITD provide documentation for any corrective actions that were implemented regarding these outstanding recommendations; however, no corrective actions were implemented. Since management had not made any progress since the last review period to implement any additional recommendations, the OIG conducted follow-up on open recommendations where corrective actions were implemented by management in prior review periods, but the corrective action was either ineffective or inadequate. Through this review, the OIG was able to close four recommendations based on process improvements that would address the recommendation, but several remain open.

The OIG is concerned with management's lack of progress to improve their management controls over FEC property. As ITD has a non personnel budget of approximately seven million dollars (\$7 million), the largest budget (excluding personnel costs) in the entire agency, the OIG believes that

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<sup>3</sup> The OIG has worked with one acting ASD manager and two permanent ASD managers since the completion of the Property audit due to frequent turnover in this position.

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management should be more focused to ensure that the proper controls are in place to reduce the risk of any excessive cost, waste, or abuse to the agency and its programs.

The OIG conducted an additional assessment of all outstanding recommendations, and the Inspector General (IG) decided to close two (2) outstanding recommendations. This decision was made because management disagreed with the OIG's recommendation and/or decided not to apply the resources necessary to fully or adequately implement the recommendations. However, the IG believes management should focus their resources on the remaining open recommendations. See details in the *Additional Recommendation Closures* section, pg. 7.

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

For the *2010 Follow-up Audit of Privacy and Data Protection*, the OIG's December 2012 report identified 38 open recommendations. The OIG met with the Privacy Team on May 14, 2013 to discuss the status of the 38 open recommendations. The OIG was able to verify and close only four (4) recommendations during this review period.

Also, management did not implement a planned system that was noted in the OIG's prior outstanding recommendations report that would have the capability to keep a record of the laptops encrypted by the FEC. Since this corrective action was not implemented by management, this recommendation remains open. It is essential that ITD has assurance that all issued laptops have been encrypted to reduce the risk of unauthorized access to sensitive information. For instance, ITD provided FEC staff with new laptops this fiscal year that **were not** encrypted, and instructed staff via email to download the encryption software from the network to their laptops to encrypt the laptop hard drives. If there are any FEC employees who did not adhere to ITD's email, there are potentially FEC laptops that are accessing FEC's network and/or being removed from the agency building that are not encrypted. If so, and one of these laptops were to be lost or stolen, the information contained on the laptop, potentially sensitive, could be released to the public. ITD does not have an adequate process/system in place that can identify if there are laptops that are not encrypted, or ensure all devices accessing the network or that have been removed from the building (i.e. telework purposes) have been encrypted. If all devices are not encrypted, it also increases the risk that outside hackers can access or manipulate FEC sensitive information (i.e. Disclosure data).

The OIG is aware that the Privacy Team has encountered many staff changes; however, our concern is that the Privacy Team has not made much progress in resolving these outstanding recommendations. The open recommendations have been outstanding since March 2011 with minimal progress from the Privacy Team to implement corrective action.

The OIG conducted an additional assessment of all outstanding recommendations, and the Inspector General decided to close four (4) outstanding recommendations. This decision was made because management disagreed with the OIG's recommendation and/or decided not to apply the resources necessary to fully or adequately implement the recommendations. The IG believes management should focus their resources on the remaining open recommendations. See details in the *Additional Recommendation Closures* section, pg. 7.

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

The *December 2012 Review of Outstanding Recommendations* report noted 29 outstanding recommendations. In March 2013, the OIG met with the outgoing Director of Procurement (Contracting Officer), to discuss processes implemented to address the recommendations. The OIG selected a sample of contract files to verify if controls were fully implemented. Based on the OIG's review of 13 contract files and follow-up work performed, the OIG was able to close six (6) of the 29 outstanding audit recommendations. In June 2013, the OIG met with the acting Chief Financial Officer (CFO) and other Office of the CFO staff members to discuss the remaining outstanding audit recommendations, as well as additional progress made since the CO left the agency. Subsequent to the meeting, the OIG obtained and reviewed documentation to support corrective actions to address some of the open recommendations. Based on this review, the OIG was able to close an additional six (6) recommendations. Therefore, a total of 12 of the 29 recommendations have been closed since our last report in December 2012.

#### **E. Inspection of the FEC's Kastle Key Program**

The *December 2012 Review of Outstanding Recommendations* report noted seven outstanding recommendations. During this follow-up review period, six of the seven recommendations were closed based on the finalization of the revised Kastle key policy.

One recommendation remains open. To test the implementation of the recommendation, the OIG selected a sample of six Kastle key request forms with temporary dates to: (1) ensure the correct temporary (expiration) date was entered in the Kastle system; (2) determine if the temporary date had past and was not updated; and (3) whether the key had been deactivated appropriately. The OIG's review noted one of the six sampled temporary Kastle key assignments did not have a required date entered in the system. This issue was also noted in the OIG's prior review, particularly with temporary keys issued to staff in the Reports and Analysis Division (RAD), who frequently request temporary date extensions. It is important that ASD enter the correct and/or updated temporary date of the Kastle keys assigned to ensure that staff and contractors do not have building access beyond the date authorized by management. To better track requests, the OIG suggests that ASD require a new Kastle key form whenever a date extension occurs, rather than allowing staff to provide an email to request date extensions.

#### **F. Quality Assessment Audit of the Audit Division**

The *Quality Assessment Audit of the Audit Division* (Audit Division) audit report was released in September 2012. The Audit Division audit report identified 11 audit recommendations to improve the quality assurance of audits conducted by the Audit Division (AD). In June 2013, the OIG met with AD management to discuss corrective actions taken to address the recommendations. Subsequent to the meeting, the AD Program Manager provided evidence to support processes implemented. Based on the OIG review of supporting documentation, we were able to close eight (8) of the 11 open recommendations. The AD management informed the OIG that corrective actions have been taken to address the other three (3) recommendations. Once the OIG can review evidence of corrective action, the OIG will be able to close the remaining recommendations.

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The OIG would like to recognize the work by the AD Program Manager and AD management to promptly and sufficiently implement the audit recommendations. These efforts by Audit Division have demonstrated a strong commitment to ensure a quality audit process.

### **Additional Recommendation Closures**

The OIG reviewed all open recommendations that have been open for several follow-up review cycles, along with management's responses and/or plan of action. At the IG's discretion, based on the assessment of the open recommendations, a total of 6 recommendations were closed from the Property Audit, and the Privacy Audit.

These recommendations were closed by the OIG because management disagreed with the recommendation and made the decision to focus their resources on other areas and not fully implement these recommendations. However, the OIG still believes that implementation of these recommendations by management would reduce the risk of fraud, waste, and abuse to agency programs.

The recommendations that were not implemented by management, but have been closed by the IG, are listed below, along with the potential risk to the agency of not implementing the recommendations.

#### *Audit of the Commission's Property Management Controls:*

1. **Recommendation 2h:** Provide the international add-on plan to the standard monthly service for users who frequently travel internationally for business. Require written request for the international add-on plan for Blackberry users who do not frequently travel internationally for business. This request should include their beginning and ending date of travel. Based on the information, the international service option should be promptly activated and terminated.
  - **OIG Assessment:** Management is not deactivating the international add-on plan in a timely manner once the staff person has returned from travel. In some cases, the travel dates are not provided in the email in order for management to know when the add-on plan should be deactivated. Management has stated that they believe the human error of not deactivating this feature in a timely manner is at an acceptable level, and no further action will be taken. However, management is incurring additional cost to the agency because they are paying for services that are not in use; therefore, **agency funds are being wasted.** Especially during periods of strict budget control, it is troubling to the OIG that the program office is not planning to implement better cost controls.
2. **Recommendation 3c:** ITD staff coordinate with GSA and implement processes and procedures to ensure:
  - a. [Blackberry] devices no longer needed should be made available to other government agencies or non-profit organizations; and
  - b. obsolete or broken devices are disposed in a manner that is not detrimental to public health.

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- **OIG Assessment:** Management has not updated their policy to reflect their current process for the disposition of devices to GSA. Without proper documentation of current policies and procedures, it would be more difficult for management to hold staff accountable for the unauthorized use or disposition of the property (on-line trading/selling, retaining for personal use, etc.). In addition, in the event of staff changes/turnover in the program office, there are no documented policies on this process to ensure the disposal process is performed in accordance with proper procedures.

***2010 Follow-up Audit of Privacy and Data Protection:***

1. **Recommendation 1b:** Identify, document in position descriptions and performance plans, and assign specific roles and responsibilities for the monitoring and reporting of compliance with Federal and Commission privacy requirements.
  - **OIG Assessment:** The lack of clear roles and responsibilities for the Privacy team members could result in important work not being accomplished and recommendations remaining open for extended periods of time because the Privacy team members have not made these tasks a priority, and may not understand their responsibilities for the privacy program.
2. **Recommendation 6d:** Perform a review of the process and systems used to maintain the inventory of mobile devices to ensure that they are appropriately designed to maintain a complete and accurate inventory. A complete physical inventory of all mobile devices purchased less those disposed should be performed and reconciled to the existing mobile device inventory listing.
  - **OIG Assessment:** In order to detect potential fraud, proper reconciliations should be performed periodically for all mobile devices. Currently, management can not identify if they have the correct number of mobile devices on hand if a reconciliation of devices purchased less obsolete/disposed devices is not performed. Without an expectation of the inventory count, there is a greater opportunity for devices to be removed from the agency for personal use, sold, or other unauthorized use because management does not have proper monitoring procedures.
3. **Recommendation 6f:** Implement a process and form requiring employees and contractors to sign when they receive a mobile device acknowledging their receipt of the asset and maintain a record of these sign-offs.
  - **OIG Assessment:** Management decision to not require employees to sign for receipt of a mobile device (laptop, Blackberry, etc.) increases the chance that FEC has inadequate inventory records, which was identified during the Privacy Audit. In addition, to hold employees accountable for proper stewardship of FEC issued equipment, there needs to be evidence that the physical device was provided to the employee. If there are no records of when a device was distributed, who it was distributed to, and which device was issued, management can not properly track/monitor the life cycle of the device. This allows for the potential loss of agency assets with little or no accountability by agency staff or management.

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4. **Recommendation 9:** Implement logging for all computer-readable data extracts from databases holding personally identifiable information (PII).

- **OIG Assessment:** Without logging, FEC will not have a record of system user activity and the nature of the system activity which is essential in the event of a system intrusion or unauthorized activity occurs. It is more difficult for the FEC to capture the activity of employees or the activity of unauthorized individuals (i.e. hackers) if they penetrate the FEC's network.

### **OIG Concerns**

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

# Federal Election Commission Office of Inspector General



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A close-up photograph of a person's eye, looking directly at the viewer. The eye is dark brown and has a visible pupil. The background is slightly blurred, suggesting depth of field. The overall lighting is soft.

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

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